THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 74, No. 5 — June 10, 1944

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly; The Investors Guide, Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover photo of Rio de Janeiro harbor by Moore-McCormack Lines

C. G. Wyckoff, President and Treasurer, Laurence Stern, Vice-President and Managing Editor, Eugene J. Foley, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents, Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

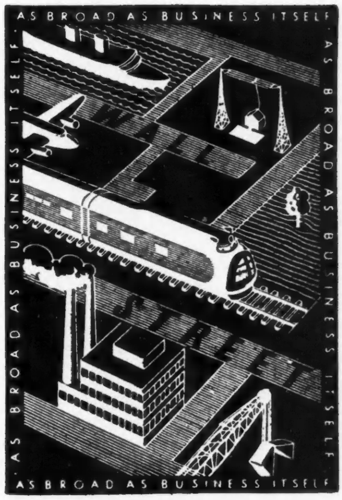
TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, B. C. 4, England.

Cable Address—Tickerpub.

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher* Laurence Stern, *Managing Editor*



The Trend of Events

THE BRITISH ECONOMY . . . British economic policy, as outlined in the recent White Paper, is to hope for the best so far as private enterprise is concerned but to put main reliance for the post-war world on a decidedly advanced degree of State management. As the present regime is conservative, the stated program can be considered a minimum one. Political change in the direction of the Liberal or Labor parties doubtless would mean even tighter State control.

Conservatives here are quick to point out that England's situation differs greatly from ours. So it does in many respects. But the pressures that are pushing democratic England leftward in economic policy are not confined to that island. England's paramount problem, given precedence over all else, is to maintain an adequate level of employment and national income for her people after the war. The government believes it can not be done except through a mixed public-private capitalism, in which the State has the dominant, directive voice.

With us, the problem of maintaining post-war employment and national income is also paramount. But we hope—at least most of us do—that it can be solved with maximum emphasis on private initiative, minimum dependence on State intervention and control. Our politico-economic trend is now in a rightward direction—but there is a string attached to it that it would be foolish to ignore. This shift will have a relatively short political life *unless the employment problem is solved to the reasonable satisfaction of the masses of voters.* That remains to be seen.

Britain's direction should not be surprising. From managed foreign trade to managed currency and then to managed economy is not an unnatural sequence once it starts—and it started quite a time ago. Our conservatives who clamor for protective tariffs and other subsidies might do well to think this over. If there is to be a permanent divergence in economic-political philosophy between the two great democratic, English-speaking peoples, that would be something new. Heretofore they have thought pretty much alike as regards relation of the State to enterprise and to the individual.

THE MANPOWER PUZZLE . . . Recently Mr. William Heber, of the War Manpower Commission, told the Senate Post-War Planning Committee that employment in the war industries had been declining at a rate of about 100,000 a month ever since last October. He added that at least this rate of disemployment was likely to continue, that it had not caused any significant decline in war output and would not do so hereafter.

Mr. Heber then denied that falling war-plant employment was due to failure of the WMC to find enough workers to replace those drafted or quitting their jobs. On the contrary, he explained, it represents a "cutback" in the total labor force that is needed for war production, due to contract terminations and more efficient utilization of factory forces.

This checks with our own general impression of what is going on. Significantly, the quit rate in industry is already much reduced—reflecting the fact that jobs are no longer as easy to get as a few months ago, and the consequent increased tendency of workers to "stay put" rather than shop around.

And yet, late last week, the War Manpower Commission let it be known that beginning around July 1 it will assume absolute control of all male labor over 17 years of age to the end of (1) requiring that no male workers be hired in essential or non-essential industries except through reference by the United States Employment Service; and (2) setting limits on the numbers of workers that any concern may have, and limiting replacements in non-essential industries to women.

Assuming that the WMC has the legal power to assume such drastic control, there is still a big unanswered question: If the war industry labor supply situation is easing, as it unquestionably is, why is it either necessary or desirable to adopt much more stringent job controls at this late stage? Mr. McNutt's agency does not hold much public confidence because its previous estimates of labor needs have proved widely erroneous and consistently so. Before the new step is taken, surely the public has a right to ask that some clear and authoritative voice at Washington explain just *why* it is necessary—and back up the explanation with facts and figures. We have had enough words and generalizations on the subject.

WHILE CONGRESS SLEEPS . . . The recent situation at the Brewster Aircraft plants serves a useful purpose in reminding us of the painful and complex readjustment problems to be encountered in "unwinding" the war-economy—and of the fact that Congress to date has done very little about it, though the Baruch-Hancock "blueprint" of a positive and sensible program has been before it for a great many weeks.

Had the Government been prepared to act along the lines advised in the Baruch-Hancock report we would not have had this incident in which the Navy suddenly cancelled, without any advance notice, a plane contract on which the jobs of many thousands of persons depended, a "stay-in" strike by indignant workmen—abetted by a union which did not want to lose members through transfers to other types of jobs—the whole fuss followed by hasty promises of various agitated officials that the Navy and other agencies would seek to turn up other contracts for Brewster.

In this situation, and others like it, there are necessarily strong pressures to make work—and temptation to waste taxpayers' money on needless war production. We must avoid that from the start, for otherwise there would be no end to it short of permanent large production of armaments. Painful as the readjustments may be for many, deferment will not in the end make them less so.

Mr. Baruch foresaw all this and advocated an orderly course of procedure. If his advice had been followed, here is how cases like Brewster would have been handled: (1) the Navy, and other agencies, would have explored all possibilities of other necessary work for Brewster before—not after—the Corsair contract was cancelled; (2) if no other necessary Government work was available, the company, its workers and the public would be told in advance "frankly and fully" what problems were involved and why the contract would have to be cancelled on a specified date; (3) Brewster would have been assured, which is not now the case, of prompt payment of money due it by the Government; and (4) the company would have been encouraged to convert to civilian production to the extent that materials supply and labor supply permitted.

However, the Army is adamant against any significant increase in output of civilian goods until "after the invasion." The public is not in a position to dispute the validity of this policy. As a result, workers disemployed by present contract cancellations are victims of circumstance; successful invasion will leave the Army with a probably vast over-supply of equipment and will be followed by fairly prompt opening up of many types of civilian production; and factory workers let out of war plants by later cancellations will have a better chance of finding non-war work. True, there are still many types of war-work jobs to be had by Brewster workers, but New York is already a surplus labor area—and not the only one—so that transfer in most cases means also transfer of residence and a new job classification.

WHITE COLLAR PEOPLE . . . It is true that white collar employees have not fared as well during the war as have many others including war workers, farmers and many entrepreneurs both large and small. Quite a few of them have no more gross income than before the war, excepting, of course, those not previously employed at all. Allowing both for taxes and increased living cost, the great majority have less *net* income than in 1939. In contrast, most war-plant workers and farmers—and a goodly percentage of the self-employed—have more net income than before the war.

But there is little or nothing that can be done about this, and unionization of white collar employees—as suggested by the CIO—can hardly be the answer. In the nature of things in any war economy—despite easy talk of equality of sacrifice—the white collar section of the middle class will suffer a temporary lowering of relative economic status.

But there is another side to it. Most of these are regular jobs, whereas war factory jobs are not. The hours of work have not in many cases been lengthened, and the conditions of work are more attractive. Relatively few white collar workers, except younger men and women not long set in their jobs, have felt any inducement to transfer to factory work at temporarily higher pay.

Though there are, of course, individual exceptions, *average* white collar pay—before taxes—is substantially higher than in 1939. That would necessarily be so, what with labor shortage, shopping around for jobs, upward job classification, etc. Naturally, this average increase is much less than in manufacturing jobs. Specifically, the Department of Commerce estimates that average weekly income of such employees for 1943 was 32 per cent higher than in 1939, compared with an increase of 74 per cent over the same period in weekly "take-home" of manufacturing employees.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 226. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, June 5, 1944.

As I See It!

CONCRETE MOVES FOR POST-WAR STABILIZATION

BY ROBERT GUISE

WORLD organization for peace at last has become a live and immediate issue. A short while ago, Secretary of State Hull announced that he has presidential approval to discuss plans for an international peace and security organization with Great Britain, Russia and China. These are plainly the same plans that Prime Minister Churchill had mentioned in his recent address, as usual crammed with significant references to what is going on behind the scenes of inter-allied diplomacy.

Both these developments permit the deduction that the prolonged exchange of ideas between leaders of the major Allies has at last resulted in a tentative meeting of the minds, opening the way to eventual agreement on a set of basic principles for an international organization.

If they also evoked considerable disquietude in diverse quarters, this is natural enough and symptomatic of the difficulties to be overcome in shaping an effective organization for world pace. The forecast of a system in which executive power is concentrated in the hands of the "Big Four," coupled with the exclusion of the lesser nations from present discussions of the European Advisory Council, has created deep unrest among representatives of the occupied countries. Secretary Hull's subsequent pledge that their rights and positions will be fully safeguarded, while expressing a traditional American attitude, should serve to reassure those nations but grave doubts seem to linger.

It is clear, of course, that any future world organization must be sufficiently flexible to be able to deal effectively with whatever situation may arise. It is equally obvious that no world organization, in the long run, could function properly without the wholehearted cooperation of all nations, large and small; that no plan for peace founded on exclusive control by the "Big Four" can be expected to win unqualified and lasting support of the smaller nations.

This is well understood both in Washington and London. But it must not be forgotten that, practically viewed, there is no such thing as organizing Europe for peace without a concert of power of the major allies, forming the backbone of the proposed United Nations council, ready and powerful enough to enforce the peace until more normal relationships between all nations can be restored. During this transitional period, final authority must rest where armed power exists, and with authority goes responsibility.

"ABOVE THE STORM"

Alexander in The Philadelphia Evening Bulletin

The troublesome problem is then how to tie together the proposed world assembly and the council of major Allies. Even more immediate is the question of participation of the smaller nations in current and forthcoming crucial decisions. As to the former, this must be left to the best judgment of the major powers which now contribute the major share to the allied war effort. At this time it is clear that they conceive of an immediate post-war world controlled by their armed might, though what their specific actions will be is at present apparently still quite undetermined. It must be admitted, though, that the possible consequences of leaving out the smaller nations at the present stage of considerations may be dangerous not only to the entire plan but even to the smooth functioning of the process of liberation. As the latter proceeds and as final war settlement nears, decisions must be made which are of vital interest to the liberated countries, and this could hardly be done without consultation of the nations affected. In the interest of allied unity, then, it might be advisable to go a step further and even now create an inter-allied council including the smaller nations, thereby assuring them that their voices will be heard whenever decisions are to be made in which they are vitally interested.

It may be difficult at this time to obtain agreement on this point among the major allies. After all, they bear the brunt of the war, and theirs will be the principal responsibility for the peace to come. It is therefore understandable that they wish to reserve for themselves every freedom of action during the military phases of the conflict. But on the other hand, it is eminently gratifying that our country at last has taken the lead in transmuting into a practical plan the ideas of international cooperation which we have always espoused as a nation. It is a matter of satisfaction that Britain, at least in principle, is willing to share in this effort. (*Please turn to 268*)

Invasion's Market Effects

D-Day Note: ***Since imminent invasion was taken into account, this factor does not alter policy advised in market analysis below, which was on the presses hours before the news broke. First market response was slight softness, but it will take some time for full meaning of invasion to crystallize. The big question remains how soon Germany will quit and whether or not the market has discounted the resulting major economic readjustments. The inside Washington view is that European war probably will end by November, possibly by August. The uncertainties warrant investment caution, maintaining conservative buying power in reserve.*** **D-Day Note:**

BY A. T. MILLER

The Mussolini regime collapsed almost a year ago, in July to be specific. Italy, the first Fascist nation, had been knocked out of the war. The Dow industrial average had climbed to approximately 146, a recovery of 51 points in 14 months. The psychological premise of the rise had been confidence in victory at some indefinite time; and anticipation of post-war corporate prosperity—at least for all save the "war stock" companies—also with the timing indefinite.

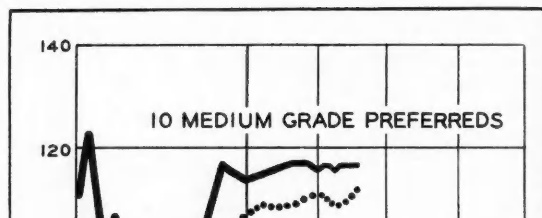
The fall of Mussolini gave the market a dose of "early peace" jitters and a sharp reaction. The whole subsequent period to date was one of trading-range fluctuation, as investors and speculators, on the whole, put aside what you might call "abstract optimism" and strove more concretely to appraise the meaning—for the market and for individual stocks—of the coming peace, of reconversion adjustments, of post-transition volume and earnings "potentials."

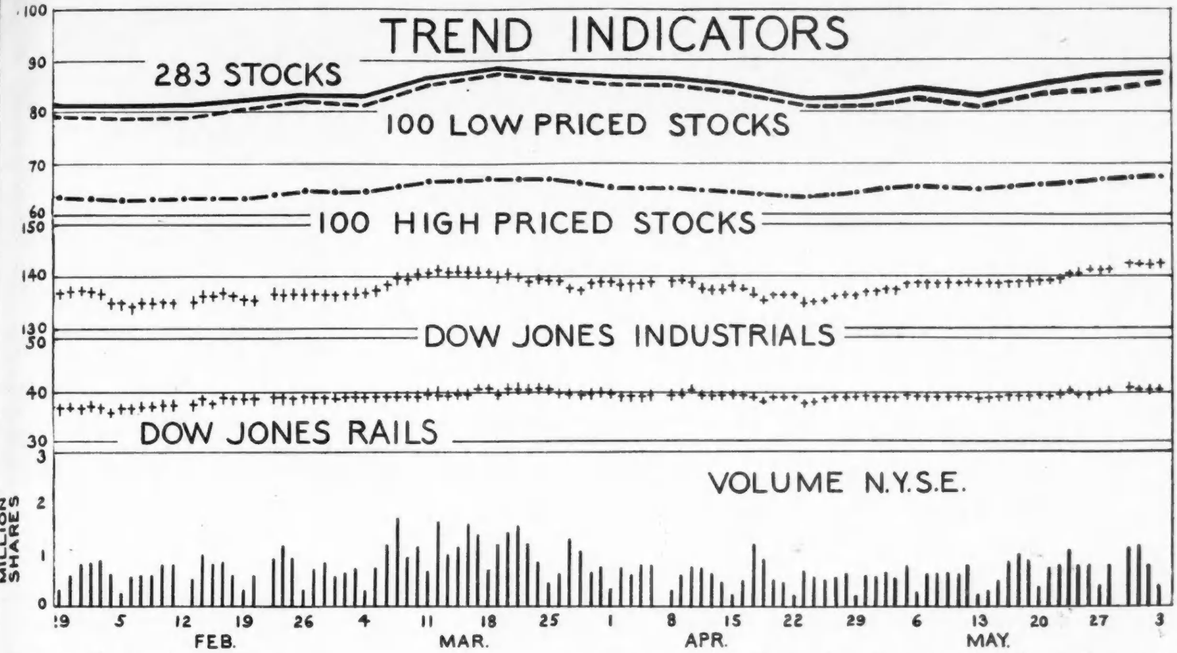
In this 11-month trading range, the extremes in the Dow average are 146, the approximate high of last year; and 129.57, the reaction low of late November. However, by far the greater part of the time has been spent in "backing and filling" between 135 and 140. Each rally above the latter figure has raised bullish hopes and centered attention on the question whether the long-interrupted major upward trend was in process of renewal, whether the 1943 high was about to be surpassed, whether an upward "break-out" would signify sustained advance ahead. We are in another such phase as this is written. The Dow industrials are just above 142, bettering all previous rally highs since last July and being only some 3½ points under the latter month's long watched technical landmark.

Since it is almost a year since Italy quit the war and the Allies gained dominance of the Mediterranean, the taking of Rome—in a strategic military sense—is something of an anti-climax. However, it is a prestige victory, giving all on our side cause to rejoice that the first great European capital has been liberated. Unlike the fall of Mussolini, which came in a different kind of market setting, this will not give investors or traders the jitters over peace prospects. On the contrary, the market recently has shown some tendency to "feel good" over favorable war news. Perhaps there will be something of a celebration, with more gain in the average and a splurge of increased volume, though it has not appeared as we go to press. On the other hand, the taking of Rome had been indicated for some days; and with the news out, the prosaic, technical forces of market supply and demand will bear cautious watching.

We believe it probable that it is still a trading-range market and that it is nearing another rally top. We lean to that tentative view not for the empirical and negative reason that it has not yet surpassed the 1943 high in the industrial average, but because of certain characteristics of selectivity, divergences and "churning" that seem more typical of a market of limited movement in the averages than of a market off on a sustained advance.

For some weeks the Dow industrial average has been "leading" our broad index of 283 stocks. The latter, up to this writing and unlike the Dow, has not made a new high for the year because of the *relative* backwardness of the index of 100 low-price stocks—this index at last week's close having been nearly 2 points under its March high. As we have said before, investment-type stocks usually lead only in early recovery phases from extreme lows; and from a medium-zone price level, such as now exists, sustained advance seems unlikely unless sparked by broad speculative demand. Possibly this may de-





velop, but it remains to be seen.

While it is true that there are always divergent movements of individual stocks and stock groups even in a roaring bull market, nevertheless tendencies toward divergence seem *uncommonly numerous* today and this appears a characteristic of a trading-range phase. Over the past fortnight 18 out of the 44 stock groups for which we keep weekly indexes advanced to new highs for the year or longer, but that left 26 which have not yet been able to do so; and despite persistent strength in the industrial average, five groups have shown actual declines since our last previous analysis was written: aircrafts, air lines, finance companies, oils and utilities. Aircraft stocks, of course, have long been "behind the 8 ball" in investment and speculative favor; but the other four not so long ago were highly regarded on "peace potentials." Their current sluggishness illustrates, to our way of thinking, one of the important difficulties working against sustained advance from the present level, *at the present time*. This is that the more popular "peace stocks" have discounted post-war potentials so far ahead that prudent people are reluctant to keep on "reaching" for them; while on the other hand, in advance of the market test to be provided by actual peace—at least as popularly expected—the best that can be said for the "war stocks" or other out-of-favor groups is that they show some evidence of stabilization at a *relatively* depressed level, with demand and supply pretty evenly balanced.

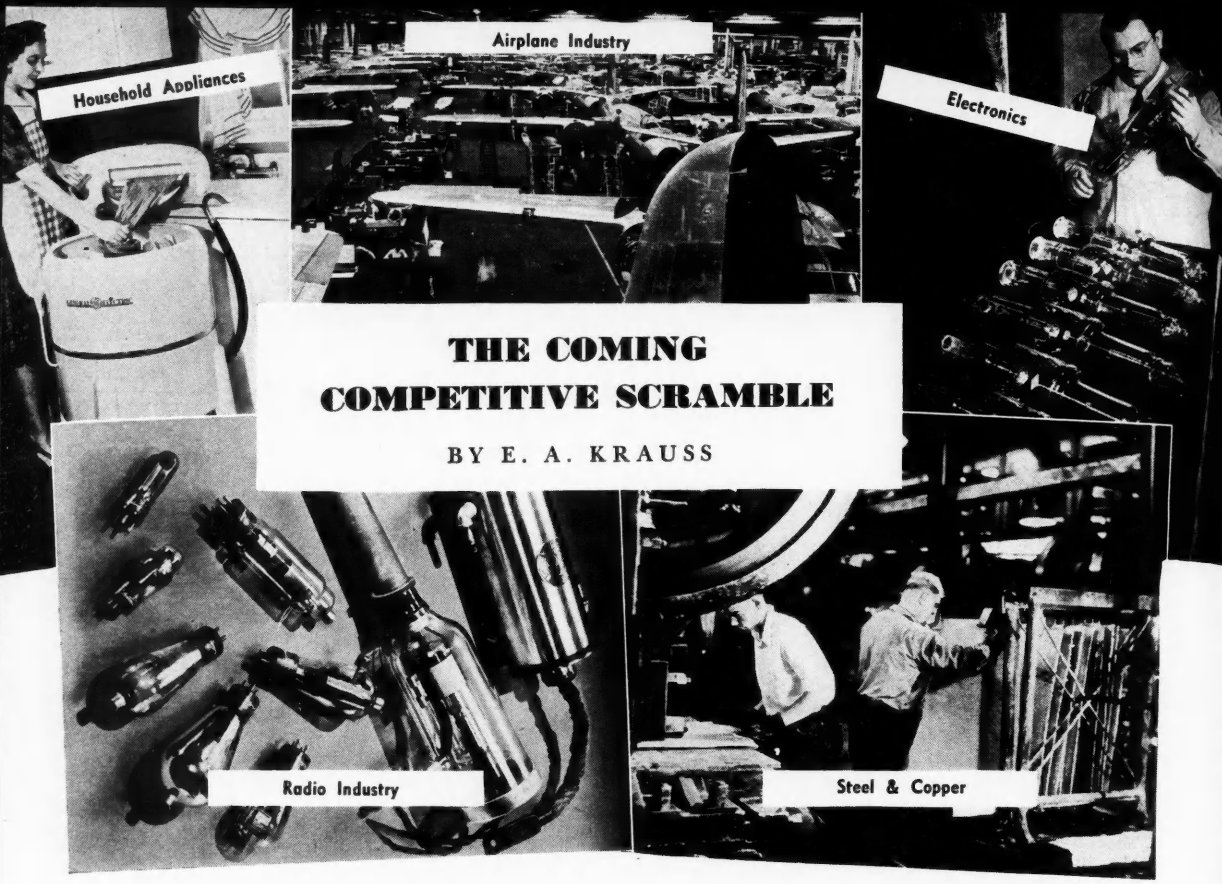
The broadest available average of stock prices—that of 402 issues compiled by Standard-Poor—is now back fairly near the level of October, 1939, when the "war boomlet" was on; but this statement conceals more significant changes than it reveals. As pointed out in a recent study by the Department of Commerce, the net changes between then and now in the levels of individual stock groups show remarkable differences. Liquors and coal shares, it noted, were, respectively, 176 per cent and 116 per cent higher than in October 1939; movies, tires, meat packers and textiles-apparel from 41 to 70 per cent higher; oil, paper, auto parts, household furnishings, automobiles and department stores from 9 to 25 per cent higher. On the other hand, mining and smelting, aircraft manufacture, tobacco products, copper and brass were 21 to 34 per cent lower; and iron and steel, building materials and shipbuilding were 8 to 14 per cent lower.

Thus, in separating the sheep from the goats, investors have obviously gone a long way in discounting their ideas of divergent post-war prospects for the different industries. We are not yet prepared to say that the backward groups are good buys; but the advanced levels of the popular groups give us some pause in weighing the market's intermediate outlook, for not only is the post-war "boom" on a pure guess basis so far as its timing is concerned, but we still have to go through the intervening period of considerable deflationary adjustment incident to the coming big decline in war output and the changeover to civilian production. We have said before, and emphasize again, that while the market may have discounted the invasion, it is problematical whether it has discounted to economic aftermath of invasion.

Since the Dow industrial average is now approximately where it was about 8 months ago on the September, 1943, rally, a brief glance among the 30 stocks in this average may be interesting. As between then and now, the following issues are appreciably, but in most cases moderately, higher: American Telephone, American Tobacco, Chrysler, General Foods, General Motors, Goodyear, International Harvester, Johns-Manville, Loew's, National Distillers, Sears Roebuck and Westinghouse.

The following are appreciably lower: Allied Chemical, American Smelting, Bethlehem Steel, General Electric, International Nickel, Standard Oil of California, Standard Oil of New Jersey, Texas Company, Union Carbide, United Aircraft and U. S. Steel. The following are only nominally changed: American Can, Corn Products, du Pont, Eastman Kodak, National Steel, Procter & Gamble, Woolworth.

For the reasons outlined above, we continue to lean to the cautious side in our view of *present* market potentials and therefore continue to favor a partial, and conservative, liquidity. —Monday, June 5.



THE COMING COMPETITIVE SCRAMBLE

BY E. A. KRAUSS

THE amount of metamorphic thinking and planning done by large numbers of industrial concerns in connection with reconversion and post-war business is astounding. This is true especially of a multitude of smaller companies whose experience with new products, gained from war work, has had a stimulating effect on imaginations. More than ever, the pasture on the other side of the fence looks greener, and many, rather than reconvert to their former activities, are convinced that the most promising opportunities are in capitalizing on the new skills and facilities developed during the war. More than one company feels certain that its new war product can readily be turned to post-war commercial usefulness and is determined to have a fling at it. Often this tendency is further stimulated by the surprising ease and ingenuity with which many manufacturers managed to turn to new product development.

Small wonder, then, that a great wave of unrest is reported sweeping over industry, a strong movement to pull up stakes and try something else. The greatest push, it seems, is toward new industries such as electronics, television, plastics, etc., now employing numerous prime and sub-contractors formerly never active in these fields. Aside from these new attractions, the experience with somebody else's products is apparently proving irresistible, at least as far as planning is concerned. Most corporations today have fairly strong cash positions and money to spend is always a temptation to attempt something new. Apparently, no field holding any sort of promise is being neglected.

There are a number of factors which greatly spur this urge towards diversification and new enterprise. Dominant is probably the desire to find useful work for enlarged productive capacity and to maintain employment at the highest possible level. Perhaps equally important, particularly with smaller and medium sized companies, is the element of *opportunity,* the fact that reconversion offers an excellent chance for a basic change, for exploitation of newly acquired skills, and opportunity to enter what is believed a growing field. Add to this the widespread belief that at least for some time after the war, we shall have a sellers' market in which virtually anything can be sold to a war-enriched public at a good profit, and it is not surprising that so many companies are strongly moved in the direction of change.

As if this were not enough, there is another and unexpected element working in the same direction, namely, the loss carry-back and carry-forward provision of the tax law. This is a powerful stimulant; under these provisions, a company can practically finance a venture into new fields with taxes previously paid, thus the prospect of an initial operating loss in a highly competitive field need not deter any newcomer entitled to avail himself of this tax cushion.

To be sufficiently foresighted to benefit from competitive advantage when entering the peace-time market is naturally the aim of every entrepreneur; it reflects the spirit on which American competitive enterprise has been built. But it is this viewpoint which is causing many organizations to cloak their post-war planning in secrecy and as a consequence, relatively few concrete or definite plans have so far been publicly announced. This should deceive no one, however, as to the intensity of the ferment that is currently affecting industrial forward

planning in almost every field.

A recent survey covering 350 major companies in 22 industries revealed that fully 58% of the companies questioned are planning some kind of new product or new products; and 32% of these companies intend to enter entirely *new* fields. A household appliance company may make automotive parts, an automobile accessories company will make a home food dehydrator, an airplane builder will tackle farm implements, a machinery and equipment concern will turn to household appliances, and a heating and plumbing company will make aviation instruments. In short, Joe will make Charlie's goods, and Charlie will make Joe's goods, and so on, and the competitive scramble will be terrific.

Naturally, entrenched manufacturers with long experience in their fields will have a big advantage over newcomers. Not only do they possess time-tested technical and manufacturing knowledge, but they also have an established distributing organization and a customers list. Yet regardless of their efficiency and trade position, they may suffer from the new competition, if only temporarily, until some of the newcomers have learned their lesson and spent their money.

As already indicated, new industries such as electronics, television and plastics, all considerably over-glamorized, will be invaded by a good many companies never before active therein, probably resulting in overcrowding reminiscent of the scrimmage in the radio field during the 'Twenties. Many of the newcomers will eventually fall by the wayside or be forced into mergers. Fortunately for most of the old line companies, their work in these fields is in the nature of a side line—or at any rate not the only line of business—and if profits become too scanty they can always withdraw, or bolster them with returns from other activities.

Many Newcomers in Automotive Parts Industry

Another field certain to feel severe competitive pressures is the automobile accessory and parts industry. Post-war sales of replacement parts alone are estimated to run some 75% over best annual pre-war figures and this prospect is attracting wide attention. Thus it will hardly mean that earnings will soar in proportion. Many companies not previously engaged in the field are planning to reconvert their facilities to the manufacture of automotive parts; existing capacity readily convertible to that type of work is very great and so is the temptation to undertake it in view of potential sales pospects. But it must be obvious that any rush into the parts and accessories business, already highly competitive, must in the end be self-defeating. The same applies to the distribution side where competition will be formidable. Jobbers and distributors already are fearful of aggressive competition from the chain distribution set-ups of the oil and tire companies which are expected to merchandise a wide variety of parts under their own trade names. Their purchasing power, pitted against each other, will almost certainly severely squeeze profit margins of the parts makers.

This prospect is well recognized by leading accessory companies who can be relied upon to strengthen their position in every direction to meet the challenge. Bendix Aviation, for instance, mindful of prospective competitive trends and desirous to employ much of their enlarged facilities, is planning aggressively for a larger place in the industrial world. Among other things, the company plans for peace-time manufacture of hydraulic and pneumatic devices, communication systems for railroads, electrical controls, and commercial and industrial instruments, thereby considerably broadening their already extensive products line.

The urge to expand into new fields will be particularly strong among aircraft manufacturers, facing something like a 95% slump in business after the war. This makes diversification a dire necessity for many, yet few concrete plans have so far been made public though a good many are known to exist. Boeing is officially on record as intending to invade the household appliance field, making washing machines and electric refrigerators. Apart from that, only one solid project has emerged from the welter of rumors. The Aviation Corporation recently announced its intention to manufacture a full line of household appliances including ranges, heaters, refrigerators, deep freezers, wheel goods and electronic devices to be merchandized by the Associated Merchandising Corporation through the many department store outlets it serves as a buying and distributing agent. Both companies are part of the industrial empire of Victor Emanuel, president of the Aviation Corporation; the latter owns 30% of Consolidated-Vultee.

Another aircraft builder has at least to some extent safeguarded itself against too precipitate a drop of earnings when war orders come to a halt. Lockheed by acquisition of the Pacific Finance Corporation of California will thereby participate in the post-war boom in consumer durable goods via the instalment financing end.

Difficult Entry to Automobile Industry

Contrary to frequently expressed opinions and conjecture, new competition in the automobile industry is not likely to be extensive or severe. The reason is simple. For one part, the firm entrenchment of the "Big Three" renders the chance for successful entry into the field relatively slim, and at any rate costly. Secondly, the required large capital investment would seem to exclude any but financially very strong organizations. The problem of distribution, moreover, appears a major one for any newcomer, confronted with the arduous task of having to build up a dealer and service organization competitive with those of the large automobile manufacturers. At one time, the Kaiser industries were reported to contemplate entering the field but less of this is heard more recently and some industrial quarters seem to detect growing coolness to the idea on the part of Henry Kaiser. Nothing definite is known, of course, but chances are against newcomers. Some may appear in the small car field, such as the French Mathis firm whose American organization is currently heavily engaged in war work. But this would hardly constitute a major threat to existing car builders.

INDUSTRIES RELATIVELY PROOF AGAINST COMPETITION BY NEWCOMERS

Automobiles	Steel
Chemicals	Tires
Communications	Oil
Machinery	Ship Building
Metal Mining	Shipping
Motion Pictures	Railroads
Railroad Equipment	Utilities

Henry Kaiser, on the other hand, is likely to become active in housing, airport building, even furniture manufacture, according to rumor, as may some other ship builders who will have little to do after the war.

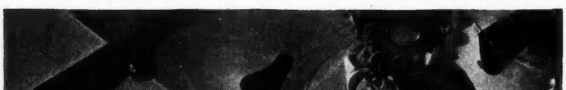
The machine tool industry, likewise facing lean years, has a number of diversification plans. While realistic-

ally, most machine tool makers feel that the consumer durable goods field has selling and distribution problems of which they know little or nothing, nevertheless the nearer they can get to new products in that field the more they can help offset the sharp cyclical fluctuations characteristic of the industry. Some companies even before the war had taken up consumer durables as a compensating side line; more will follow their example after this war but most planning is done under cover and few definite data are available.

In the household appliance field, as already indicated, post-war competition promises to become quite severe, matching that expected in the automotive accessories business. Already highly competitive before the war, many newcomers will strive for an entering wedge, forcing in turn greater diversification among existing appliance makers. Sylvania Electric Co. for example recently announced acquisition of Colonial Radio Co., thereby broadening its field which presently is mainly centering on radio tubes, lamps, and electronic devices. In effect, Sylvania has been securing for itself a market for its radio tube output, a line which in all probability will become tremendously competitive after the war.

This holds true for virtually every household or electrical appliance, due to the relative ease with which manufacture of such articles can be undertaken. Essentially, it is a simple assembly operation, and motors can readily be bought from outside suppliers. Another reason is the large deferred demand, portending excellent business—as far as volume goes—for several years which is naturally attracting outsiders. An indication of what may be expected is a report current in industrial quarters that no less than eighty concerns plan to enter the air conditioning field when the war ends! It is not difficult to guess what this might do to profit margins.

In the machinery field, Worthington Pump expects to strengthen its position by recent acquisition of the Electric Machinery Manufacturing Co. which makes motors for power plants and industrial machinery, and electric generators. American Bosch, an electrical goods manufacturer, is entering the diesel engine field, and Fairbanks Morse has announced its intention to enter the railroad motive power field with a complete line of diesel-electric locomotives, the result of the company's war-time experience in supplying the Navy with diesel engines for submarines and surface craft.



Manifold post-war uses for plastics are bound to intensify competition among plastics makers and fabricators. Articles such as these, will vie for the consumer's favor

Illustrative of the switching around which may take place in many directions is the recent deal between Continental Can and Reynolds Spring. The former acquired the molded plactics division of Reynolds, heretofore the third largest plastics custom molding business. Continental Can is thereby greatly strengthening its position in the plastics field which it entered last year with acquisition of a substantial interest in Marco Chemicals, producer of a new type of synthetic resin. Reynolds Spring, in turn, appears to have given up all interest in plastics and instead contemplates new lines of manufacture and more particularly expansion of production of agricultural implements.

In the last mentioned field, always highly competitive but with excellent post-war prospects, competition may be intensified by expanded activities of the Ferguson-Ford organization, combining light agricultural machinery with the Ford tractor as motive power. Ferguson is planning aggressively for post-war, has added twenty new implements to existing lines and keeps a close eye on export markets. This competition may eventually be strongly felt in the lighter implement field where the concern is already a factor of importance.

In the housing field, sharp competition is expected to flare up after the war's end. As earlier mentioned, a number of ship builders toy with the idea of entering prefabricated housing on a large scale. So does the steel industry. U. S. Steel recently acquired a substantial interest in Gunnison Housing Corporation, known for its pioneer work in prefabricated housing made of wood and plywood. Steel's entry into the housing field means an attempt to promote greater use of steel in prefabricated housing, and incidentally marks the first entry into the direct consumer field on the part of this giant corporation. Apart from an excellent home market, housing concerns anticipate very substantial export demand, notably from Britain, where housing needs are urgent.

In the chemical and pharmaceutical fields, competitive cross currents are already strong and may become further intensified after the war, but on the whole the industry is fairly safe from invasion by outsiders. Rather, there will be expansion of existing companies into new fields, a further urge towards diversification of products. Among recent developments in this direction is Monsanto's entry into the West Coast industrial field through acquisition of I. F. Laucks of Seattle, manufacturing chemists and leading producer of plywood glues and wood preservatives. The acquisition gives Monsanto a dominant position in the plywood glue field and a chance to capitalize on the admittedly excellent post-war potentials of plywood.

The competitive scramble will perhaps be greatest in the retail merchandising field. Mail order and chain store concerns are reported to be mapping a great invasion of the department store field. The former especially are preparing to establish a great number of major department stores throughout the country, and open hundreds of specialty (*Please turn to page* 2

How To Develop Latin American Trade As A Stimulant To Our Economy

BY V. L. HOROTH

As preparations for the shift to the peacetime economy grow more concrete, the interest of many American business firms is turning to the possibilities of expanding post-war trade with Latin America. Aware that the war has placed the economic relations between the United States and the 20 Latin nations of the Western Hemisphere on a new and broader basis, business men are naturally eager to see the wartime high volume continue. They have come to take for granted the industrialization of the other Americas, and to expect that the resulting expanded purchasing power will create new markets for our goods.

The Latin American business man is also anxious to see a high level of trade with the United States, now that the subsiding of war orders is beginning to bring some of the old economic ailments of the Southern nations closer to the surface. Moreover, the Latin American entrepreneur is awakening to the fact that with the end of hostilities he will be faced with increased competition and that in order to survive, he may have to fall back on the help of American "know-how."

How well the wartime economic cooperation between the Americas has worked is brought out by the figures. Latin America's collaboration in our war effort has been invaluable, especially her prompt shift to the production of the essentials lost to us by Japan's seizure of Southeastern Asia. It is estimated that in 1943 we bought about $1,300 millions worth of goods from our neighbors to the South or about $800 millions more than during the last two pre-war years, 1938 and 1939. Thus our purchases more than made up for the loss of European markets which (excluding Great Britain) had absorbed some $600 millions of Latin-American goods before the war. We haven't, of course, purchased the same products that Europe would have bought; hence our help in some instances has not gone where it was most needed.

On our part, we have been able, despite our concentration on war production, to supply Latin America with certain goods, though they weren't always those which were needed most. But in 1943, our exports to Latin America were estimated at more than $800 millions, or some $200 millions more than before the war.

Some of the wartime trade will unquestionably be lost when normal trade channels are reopened. This happened after the First World War. In 1913, for example, the United States supplied Latin America with about 23 per cent of all her imports. This percentage rose to over 50 during the war, only to decline when more normal conditions returned. From the trade viewpoint, our foothold in Latin America was, however, extended—chiefly at the expense of Great Britain—for we retained on the average about 34 per cent of Latin America's import business during the period between the two World Wars.

The expansion in Latin American trade has repeated itself during the Second World War. In 1942 and 1943, we came to supply roughly some 55-60 per cent of Latin America's imports. How much are we going to retain when this war is over? Are we again going to e x t e n d, figuratively speaking, our foothold in Latin America trade, and supply, say, 40 to 45 per cent of the imports?

Photo by Moore-McCormack Lines

Calle Florida, center of shopping district in Buenos Aires, Argentina

The answer to these questions was discussed, among other things, at the First Conference of Commissions for Inter-American Development which was held in New York from May 9 to 18. It was a unique gathering. Competent Latin Americans who have been for several years on the board of the individual Development Commissions in their respective countries spoke about post-war plans and needs, obviously just as eager and just as sincere as the American representatives to exploit the trade contacts established during the war. These Development Commissions were organized earlier during the war with a view to raising living standards through the Western Hemisphere by bringing together individual Latin American Governments and private enterprise to collaborate on inter-American projects. The American Commission has been in charge of the training that is being given in agriculture and industry to the young Latin Americans in this country; it has been assigning technicians to help

LATIN AMERICA: EXPANSION OF NOTE CIRCULATION AND DEPOSITS

(in millions of dollars)

	Note Circulation 1939	Note Circulation 1943	Bank Deposits 1939	Bank Deposits 1943	Per Cent Increase 1943 over 1939 Circulation	Per Cent Increase 1943 over 1939 Deposits
Argentina	1,401	2,132	3,912	5,957	52	52
Brazil	4,970	9,883(a)	12,523	(c)	99	
Mexico	651	1,378	350	1,337(b)	112	182
Colombia	68	133	116	240	96	107
Chile	950	2,268	2,049	3,536(b)	139	73
Peru	132	343	324	812	160	151
Venezuela	134	275	185	339(b)	105	83
Uruguay	93	127(b)	267	437	37	64
Bolivia	369	1,030	311	814(d)	179	162
Salvador	15	38	6	19	153	216

(a) August 1943. (b) November 1943. (d) September 1943.
(c) Not available. Deposits at the end of 1941 were 16,531 million cruizeros.

individual Latin American nations with the development of their natural resources and industries; and it has carried out several important surveys, including that of the Caribbean fisheries.

In regard to the development of post-war trade between the two Americas, the Conference reiterated and stressed the old precepts, namely: (1) that Latin America must have more purchasing power; and (2) that in order to make this increased purchasing power available for our goods, we must give Latin America a chance to earn more dollars, either by buying more of her goods or by letting her perform more services for us.

In Latin America's case, increased purchasing power means principally increased productivity of her people. Such increased productivity can be achieved only through industrialization, through improved methods of farming and mining, and, in general, through diversification of her production. It means that Latin America must have more and better tools (machinery) and that her workers must acquire skill. Since Latin America as a whole has not enough capital, foreign capital has to come in and provide machinery and "know-how."

Two other suggestions were made at the Conference in regard to post-war trade. One recommendation was that booms and slumps in this country be avoided in order to prevent violent price fluctuations, inasmuch as Latin American economies are still relatively simple and still very much under the influence of the "outside" fluctuation of the price of their principal products. The other suggestion relates to the concern over a deflation in prices which may accompany the transition from war to peace-time production. To prevent a serious economic shock and possible political repercussion, cooperation between this country and Latin America was suggested.

However, the problems of the transition period may solve themselves during the period of post-war trade expansion. That following the end of the hostilities the trade between the two Americas may reach, for a period of two or three years, unprecedented proportions is not at all impossible. In fact, it is quite probable, in view of the enormous replacement demand for each others' goods accumulated here as well as in Latin America. For a long time after the war, this country may be one of the few places where Latin America will be able to turn for transportation equipment, machinery and other much needed capital goods. At the same time, until the production of Southeastern Asia is restored to its pre-war level, we will have to continue to fall back on Latin American resources more than ever before.

The wartime accumulation of Latin American purchasing power that can be transferred abroad—to buy merchandise and services—is roughly represented by the gold and foreign exchange reserves of the 20 nations. Gold and the dollar credits were recently estimated by the National City Bank at about $2,500 millions as of the end of 1943. In addition there were sterling and other currency credits estimated at about $400 millions. However, in view of the weakened balance of international payments of Great Britain and huge sterling obligations that are payable elsewhere, Latin American countries will probably be able to "cash in" their blocked sterling balances only gradually.

During 1943, Latin American gold and foreign exchange reserves rose by nearly $1,000 millions. In view of the expiration of many defense contracts, the accumulation this year may be less. However, by the time the war is over, Latin America may have between $4 and $5 billions of resources with which to pay for her post-war imports, in addition to the exchange earned from current exports.

For the time being, the purchasing power represented by the gold and foreign exchange accumulations has inflated bank deposits and note circulation or has been invested in local real estate or enterprises. But once foreign goods are available and the dammed-up purchasing power can flow abroad, note circulation and bank deposits will contract and there may be even a withdrawal of capital from real estate and local enterprises. In some countries, where there has been a big wartime boom, as in Mexico, this deflationary process may be accompanied by economic disturbances which, especially if they are followed by political repercussions, may undo much good work already accomplished.

In order to prevent the deflationary spiral from getting a start, the accumulated purchasing power will have to be spent for machinery, transportation equipment and in general for capital goods, so that by expanding produc-

LATIN AMERICA PER CAPITA STATISTICS

		Population (in 000)	Per Capita (in U. S. dollars) Exports	Imports	National Income	Circulation and Bank Deposits	Gold and Foreign Exchange
Brazil	(1942)	43,550	7.7	6.3	95.0	40.0(t)	12.1
Mexico	(1941)	20,208	7.4	9.3		28.0	12.3
Argentina	(1942)	13,709	30.2	23.5	180.0(c)	148.0	81.8
Colombia	(1942)	9,523	10.5	10.2		22.0	11.9
Peru	(1943)	7,395	10.3	7.4	34.0	24.0	4.7
Chile	(1943)	5,229	30.8	20.7	97.0(b)	44.0	16.2
Cuba	(1943)	4,778	50.0	31.7			47.3
Venezuela	(1942)	4,000	56.0	22.1		46.0	25.0
Bolivia	(1942)	3,533	17.9	7.9	30.0(c)	14.0	6.2
Uruguay	(1941)	2,185	32.4	28.9	142.0(a)	137.0	66.8
United States, 1942		135,000	59.5	20.3	855.0	950.0(d)	160.0

(a) 1936. (b) 1937. (c) per capita value based on national production.
(e) estimate. (t) tentative. (d) end of 1943.

LATIN AMERICA
Gold and Foreign Exchange Reserves
(In millions of dollars)

	End of 1939	End of 1942	End of 1943(e)
Argentina	592	721	1,122
Brazil	67	238	525
Mexico	34	72	250
Cuba	22	127	226
Uruguay	75	95	146
Colombia	26	62	114
Venezuela	52	76	101
Chile	36	56	85
Peru	19	31	35
Bolivia	5	21	22
Salvador	8	14	21
Ecuador	3	14	19
Costa Rica	2	11	16
Dominican Rep.	(a)	9	13
Haiti	3	5	8
Total Latin America	953	1,552	2,703

(a) not available. (e) partly estimated.

tion—either for local consumption or for exports—new purchasing power can be generated. Hence it will be necessary for Latin America to go right ahead with their industrialization and the diversification program and to spend the wartime accumulated funds principally on highway and railway equipment, the development of hydro-electric power, harbor works, and other long range improvements, since it is unlikely that foreign private investors will again be willing to provide capital for similar improvements through portfolio loans of the type launched during the 'Twenties. It would also be undesirable.

All this may mean that the exchange control, which for practical purposes has been removed, will be reinstituted in order to direct the spending of the accumulated resources in proper channels. Such a development would bring a boom to the exporters of tools, machinery, and transportation equipment. The export business of the manufacturers of luxury and consumption goods would depend in such a case upon the spending of foreign exchange earned currently rather than accumulated during the war. Following the First World War, much of the then accumulated purchasing power in Latin America was spent for imported consumption goods (or for living in Paris and elsewhere in Europe). Though the standard of living of a small group of Latin American population was advanced, there was relatively little permanent benefit to individual Latin American national economies.

The ways in which Latin American nations will utilize the purchasing power accumulated during the Second World War as well as their requirements of additional foreign capital will undoubtedly vary from country to country. It may be just as well pointed out at this stage of the discussion how fallacious it is to lump all Latin America together.

In the first place, in talking about Latin America we lump together not only countries in various stages of economic development, but with greatly varied resources, climates, population and purchasing power. There are, for example, the Central American republics with per capita national income of not more than $40 before the war, still predominantly agricultural, and in what may be called a "colonial" stage of development. On the other side is Argentina, now more industrial than agricultural, and beginning to export capital to the neighboring countries. The accumulations of gold and foreign exchange credits are likewise unequally distributed. Argentina with 13 million people held last December around $1,125 millions in gold and foreign currency credits, while Chile and Peru with almost as large a population between them, hold together only about $120 millions in transferrable resources, or about one-tenth as much as Argentina. The point is that Argentina can afford to be less discriminating in its purchases of foreign goods than, for example, Chile, or can be less dependent upon foreign capital than, say, Costa Rica.

There is one thing certain, however. All Latin American countries will continue to be dependent in various degrees upon foreign capital and foreign "know-how." The question is how this foreign capital, in view of all the adverse criticism, defaults, restrictions and appropriations, is to be invested so that both the investor and the country where the investment is made would benefit. The portfolio loans are out—unless they are, of course, made on the inter-Government basis.

There remains a direct investment method for which opportunities exist in manufacturing, public facilities, and land development companies. The older procedure was to establish a branch factory or to purchase a local asset outright. A more propitious way—to avoid the criticism of foreign capital domination which in the case of vital industry or resources is almost invariably resented—has been direct investment made jointly with local capital, either by buying into already established enterprises or by inviting local capital to participate in the investment. In any case, foreign capital, and that means also American, must be prepared to stay a long time and be ready to reinvest the earnings locally.

The joint managing and financing is likely to present many difficulties, the divided management responsibility being one of them. How it will be solved will unquestionably depend upon the industry and upon the country where the investment is made. In countries like Argentina, the cooperation with *(Please turn to p. 265)*

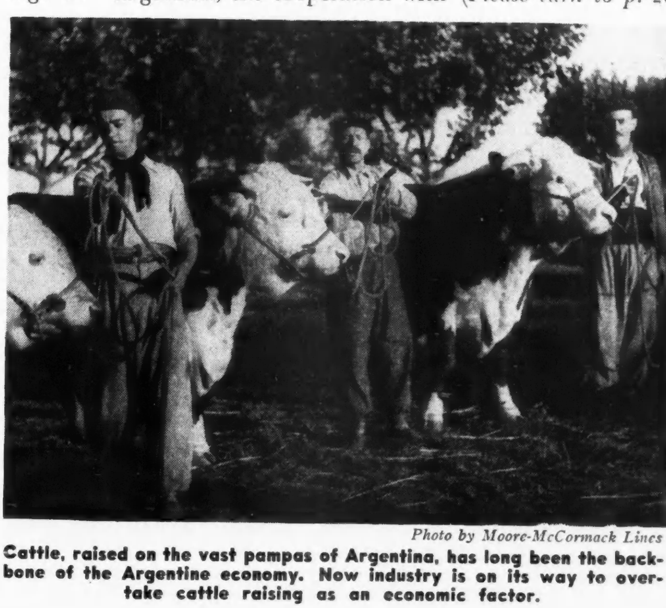
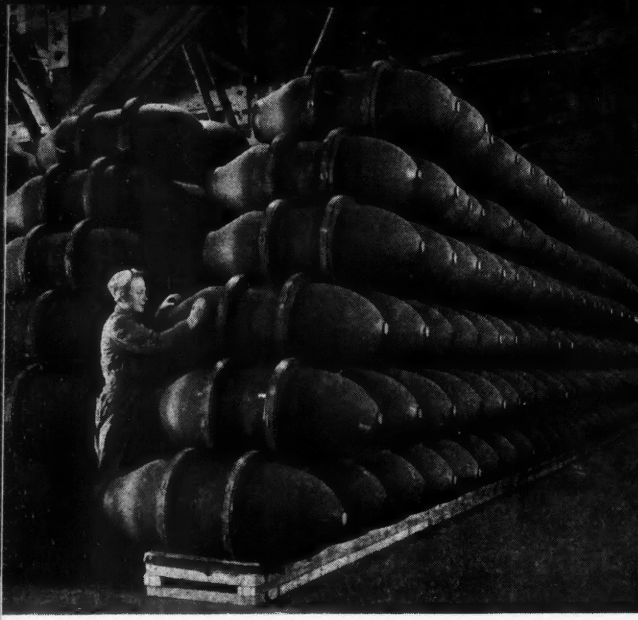


Photo by Moore-McCormack Lines

Cattle, raised on the vast pampas of Argentina, has long been the backbone of the Argentine economy. Now industry is on its way to overtake cattle raising as an economic factor.



Companies That Will Benefit from *War Plant* Amortization Terms

BY J. S. WILLIAMS

IN appraising the working capital position of war-active corporations in relation to reconversion and post-war needs, one element of potential importance to a good many manufacturers is frequently overlooked. It is the contingent current asset represented by unamortized war plant facilities constructed either under Emergency Plant Facilities Contracts or under "Certificates of Necessity." Both carry the privilege of "accelerated amortization," that is amortization over a period of five years.

Existence of such assets—plant assets now, potential current assets later—is far more widespread than perhaps generally assumed. It is commonly estimated that Government agencies, notably the Defense Plant Corporation, made commitments to spend upwards of $15 billions in expanding plant and equipment of industry, particularly the manufacturing industry. The great bulk of this total by now has been expended under Emergency Plant Facilities contracts. In addition, it is further estimated that under "Certificates of Necessity," industry has expended on facilities for war production over $4 billions of its own money, that is funds acquired either through retention of earnings or through issuance of securities. Another estimated $3 billion was spent by industry without "Certificate of Necessity," representing strictly private expansion and thus not falling within the scope of this study.

While cash balances of many manufacturing concerns, notwithstanding their general increase since the war, seem nevertheless meager when compared with cash needs since liabilities often increased even at a faster rate, cash assets may be bolstered appreciably during the remainder of the war and thereafter, on two counts. First, plant expansion and the privilege of accelerated amortization have greatly increased depreciation charges and will continue to do so for the duration of plant expansion contracts. But due to shortage of labor and materials, a good many companies find it impossible fully to expend such charges. Secondly, when the war ends or a company's war business is terminated, the then existing unamortized balances of plant expenditures under certificates of necessity will presumably immediately become a current asset, in other words a claim on the Government realizable within one year, perhaps sooner depending on the speed of contract termination procedure. The same applies to payments still owing a company under Emergency Plant Facilities Contracts. Some of these prospective payments, especially of the latter variety, are offset by notes payable, due to assignment of such receivables to banks to secure bank loans, and hence are not convertible into current assets but this is by no means general.

On the whole, it has been estimated that $2, possibly $3 billion may accrue to war-active corporations by virtue of settlement of unamortized plant facilities; in many cases this will mean an important addition to working funds permitting, where applicable, substantial debt reduction or else obviating the necessity of obtaining additional funds for reconversion.

Dow Chemical affords an excellent illustration. The company's very substantial plant expansion for war production purposes was largely undertaken under "Certificates of Necessity" with the bulk of the funds needed obtained through sale of securities. According to the latest balance sheet (as of May 31, 1943), Emergency Plant Facilities are carried at cost value of $38.89 million, prior amortization and depreciation. The latter to the end of the period amounted to roughly $15.8 million, leaving the unamortized portion at about $23.1 million. If the war should end today, this balance will become a claim upon the Government, representing an amount far in excess of working capital of $4.81 million. On payment of this claim, the company, if it so chooses, will be in a position not only to prepay funded debt of $12.75 million but to retire a goodly amount of outstanding preferred stock, thereby greatly simplifying its capital structure. In other words, the company will be able to "shrink" back to more normal size without any particular loss. Meanwhile, Dow derives a very considerable incidental advantage in the form of a large EPT exemption due to heavy amortization and depreciation charges allowed on its emergency plant account.

However, in most cases the implications are less extreme, due to the fact that plant expansion undertaken under the aforementioned arrangements was less extensive. Frequently, too, where plant expansion was initiated early in the war, amortization has gone further, leaving a relatively small unamortized balance.

Thus in the case of Bendix Aviation, unamortized balance of emergency plant facilities is carried at $4.0 million or roughly 10% of working capital of $42.8 million. In the case of Budd Manufacturing, the balance is $3.39 million or fully one-third of working capital. I

this case, the increment to working funds arising from a final settlement would be relatively substantial. The same applies, on a percentage basis, to Bullard Co., where unamortized plant facilities of $1.24 million compare with working funds of $3.55 million. In the case of Douglas Aircraft, emergency facilities, about one-third amortized, are carried at $5.44 million as against working capital of $35.43 million.

Glenn L. Martin Co. carries expenditures for Emergency Plant Facilities at $7.26 million and additionally has an unamortized balance of $795,000 for facilities acquired under certificates of necessity. The total of $8.05 million compares with working capital of $18.8 million, or about 44% of the latter. Frequently, among aircraft builders, we find emergency facilities far in excess of basic plant item but due to Government sponsorship of plant expansion, no financial problem is involved. A case in point is United Aircraft which carries emergency facilities at $12.03 million compared with basic fixed assets of only $9.15 million. As a potential current asset, the former is, however, offset by notes payable to banks in the amount of $11.79 million, by virtue of assignment of instalment payments from Government reimbursement under Emergency Plant Facilities contracts.

Important for Many Smaller Companies

A number of additional interesting examples are listed in the appended table. Especially in the case of smaller manufacturing companies, the incidence of emergency plant and its potential future liquid asset value is often of considerable importance. Spicer Manufacturing is a good example. Unamortized balance of war plant facilities is $8.13 million compared with working capital of $3.99 million. The latter is rather insufficient an amount to carry on post-war operations, and the current ratio of 1.1 to 1 is indicative of the company's tight working capital position. However, if the $8.13 million unamortized plant facilities are converted into a liquid asset, this would suffice not only to retire bank loans of $1.3 million but also preferred stock carried at $4.52 million and still leave sufficient funds so as to almost double working capital. In other words, the contingent liquid asset represented by unamortized war plant facilities is the only redeeming feature in an otherwise fairly tight situation. Meanwhile the company is entitled to substantial amortization and depreciation charges (in the last fiscal year, amortization of war plants amounted to $2.08 million), cutting down taxable net and building up surplus.

The balance sheet of Cramp Shipbuilding Co. presents a somewhat similar situation. Unamortized emergency plant facilities are carried at $10.01 million compared with the rather slender working capital of $3.48 million. Bank loans outstanding come to $9.71 million and thus are in effect offset by the contingent liquid asset represented by unamortized emergency plant. This shrinks the entire balance sheet to proportions more in line with available working capital, considerably minimizing the company's problems when war activity ceases.

In the case of Federal Mogul, unamortized emergency plant of $1.94 million compares with working capital of $2.56 million, or about 70% of the latter. The former amount, in turn, is sufficient to take care of bank loans and long-term debt outstanding thereby greatly simplifying the company's financial problem.

Excello Corporation's latest balance sheet reveals unamortized emergency facilities of $3.85 million, offset by bank loans of $3.23 million. In August 1943, a new agreement with the Defense Plant Corporation provided for further plant extension making the total about $8.42 million. Since this expansion is also primarily financed by bank loans, no contingent increment of liquid assets arises in this instance as reimbursement payments of the Defense Plant Corporation have been assigned to the bank.

Niles-Bement-Pond, leading machine tool maker, followed a similar procedure. Unamortized emergency facilities are offset by bank loans of $2.56 million with Government reimbursement payments assigned to the bank to take care of reduction and eventual extinction of the bank loan.

Eaton Manufacturing, on the other hand, has a contingent liquid asset of $1.05 million arising from unamortized emergency facilities, compared with working capital of $10.13 million. Similarly, Continental Motors, with a working capital of $10.89 million, can potentially strengthen working funds by $2.27 million, the amount of net emergency plant facilities as carried in the latest balance sheet. In the latter case, the increase would amount to over 20%.

Campbell, Wyant & Cannon extended facilities under certificate of necessity, that is with its own funds, and the unamortized portion remaining on the company's books amounts to $1.77 million compared with working capital of $2.58 million. In case of final settlement, working funds might be strengthened by something like 70%, in this instance, raising the current ratio from 1.6 to 2 to 1.

The list of companies which stand to benefit in this manner could be greatly extended, in view of the tremendous amount of plant expansion that occurred for strictly war purposes. Frequently, the amount of emergency facilities as valued on a company's books is not specifically stated but lumped together with the general property account so that no exact indication is given of the size of the contingent liquid asset included. In some instances, this may lead to pleasant surprises later on, when final settlement is made. *(Please turn to page 268)*

COMPANIES WITH CONTINGENT CURRENT ASSETS ARISING FROM UNAMORTIZED WAR PLANT FACILITIES
($ millions)

	Working Capital	Unamortized facilities
Bendix Aviation	$42.89	$4.06
Budd Mfg.	10.62	3.39
Bullard Co.	3.55	1.24
Douglas Aircraft	35.43	5.44
Dow Chemical	4.81	23.07
Electric Boat	15.18	1.54
Glenn L. Martin	18.80	8.05
Thompson Products	11.99	1.11
Eaton Mfg.	10.13	1.05
Federal Mogul	2.56	1.94
Spicer Mfg.	3.99	8.13
Babcock & Wilcox	17.83	0.48
Dresser Mfg.	5.23	0.99
Excello Corp.	4.77	3.85
Niles-Bement-Pond	14.04	2.71
Transue & Williams	1.36	0.42
Pittsburgh Forgings	1.61	0.51
Am. Ship Building	4.03	0.65
Continental Motors	10.89	2.27
Campbell, Wyant & Cannon	2.58	1.77
Diamond T Motor	3.93	0.94
Cramp Ship Building	3.48	10.01
Rustless Iron & Steel	5.98	0.41
Standard Steel Spring	4.55	0.77

Happening in Washington

Charles Phelps Cushing Photo

By E. K. T.

The President's call for an international monetary conference follows logically upon the tentative stabilization agreement reached last month, after a year's study, by the fiscal experts of the United Nations and associates. It rests upon a gold-based, eight billion dollar world currency protective fund, designed to ease the flow of currency and trade. Last month's agreement was not binding upon the nations until approved by the superiors of the economists who entered into it. Hence the Bretton Woods parley which comes to order July 1. There are many problems to be ironed out, especially in differing U. S.-British points of view.

> ***Washington Sees:***
>
> **The "manpower shortage" has become as confused as the selective service situation, with facts proving the error of official statements, and too many cooks spoiling the broth.**
>
> **Comes now WMC Chief Paul McNutt with the suggestion that Congress must legislate unless his own plan for a voluntary clearance of all male help, through WMC's employment service, is effectuated. The War and Navy Departments say compulsory national service—labor battalions if necessary—is the only solution.**
>
> **A telegraphic check at the end of May disclosed 40,000 workmen away from their jobs on formally declared strikes. How many might be added if "disagreements" were covered can only be conjectured.**
>
> **Just ahead is a cutback in airplane production which will have impact not only upon the prime contractors but also upon their suppliers. Little effort is made to keep from the public the fact that the cut may reach 25 per cent. That can be translated into 500,000 employees—available and trained for war work. With the military getting all of everything that it needs, the manpower "problem" continues to be exaggerated.**

OPA's Failure to move with firmness into the clothing field has permitted the situation to become aggravated to the point where a two-pronged problem has grown, with price and quality factors about equally troublesome. To place ceilings in the absence of standards would be futile; and the latter type of control would be most difficult now because "quality deterioration" has taken root. To say present standards must be maintained as a quality basis would be to perpetuate unfair competition and uneconomic conditions.

Truman Committee family fighting threatens to destroy or at least dim the effectiveness of one of the most important Congressional groups just as it is levelling off its work on a very high plane. Politics has reared its head. A speech by Chairman Truman accusing the Republicans of using committee findings for political purposes was answered in kind. Fact of the matter is that there is political dynamite for both sides in the committee's files and the temptation seems too great for the senators to resist.

Duplication in government labor agencies has the eye of members of Congress. Secretary Frances Perkins has been cautioned by the appropriations committee that she must eliminate overlapping now existing between her Wage and Hour Division and the Children's Bureau in carrying out the Fair Labor Standards Act. Both units are close to the heart of the Secretary and she has allowed them to sprawl. But the sprawling has become costly—and obvious—and Congress is determined to end it.

Lend-Lease in review presents interesting facts. In its first three years, it accounted for contributions by the United States in total amount of $24,225,000,000—14 cents out of each dollar spent by this country for war purposes. The Allies naturally drew benefits from the other 86 cents; frankness compels the concession that the United States likewise benefitted from the entire dollar. Part of the twenty-four billions has been repaid in reverse lend-lease. Most of it never will be. It wasn't intended to be.

AS WE GO TO PRESS

Conservative Southern politicians are really steamed up over the buusiness of "white supremacy", CIO and Communist intervention in Southern primaries and the threat of further weakening of their already tenuous influence within the Democratic Party, except locally.

From any angle, their position most uncomfortable. If it is Roosevelt for a fourth trem, the balance of power making for victory in the probably close election will have been supplied by Organized Labor. And Labor, especially the CIO, aims at further "direct political action" in the South, also at further unionization of Southern industry and business. Yet, if it isn't a fourth term, the Southern politicos will be out in the cold on Federal patronage.

The scarcely concealed threat by Texas "regulars" that the state's electors might not cast their vote for Roosevelt, if the popular mandate gives him a majority of the electoral vote, will bear watching. This tentative "movement" may or may not blow up. If carried through, in defiance of the popular will, it would be unprecedented. Indeed, it would be so revolutionary -- though technically legal under the Constitution -- as to seem unthinkable. But the Civil War was also unthinkable -- until it happened.

In a close election every state is important. California tipped the scales to Wilson in 1916. With New York, carrying the largest single bloc of electoral votes, apparently leaning slightly toward Dewey as of today, California might again decide the election. Or one or two lesser states, with a mere handful of electoral votes, conceivably might tell the story. For this reason the Solid South -- though the chances are that it will remain Solid enough in popular vote -- can no longer be taken quite as much for granted as had been the case in the last three national campaigns.

What is especially disturbing to the Southern conservatives is the fact that wherever the financially well-heeled CIO Committee for Political Action has concentrated on its "foes" in primaries, it has had a high batting average. It was instrumental, probably decisively so, in the primary defeats of Representative Starnes of Alabama, and Costello of California; of Senator Holman in Oregon. Dies of Texas might have met the same fate, but withdrew.

On the other hand, all is not 100 per cent rosy for the New Deal or the CIO in the deep South. For instance, Senator Pepper, with full Administation support, won his Florida primary contest by only 51 per cent of the vote. Senator Byrd got 45 per cent of the total vote -- remarkable because he was not an avowed candidate, had openly discouraged support, had no organization.

Florida, Texas, Kentucky and Maryland are not quite so tradition-bound as some of the other Southern states. Even so, there is no question that Roosevelt as of today would have a majority of their popular vote, even though less than in his previous elections.

Production cutbacks are appearing on the horizon in size not measureable by the minor changes which have been numerous and geographically widespread in recent months. Until now, Washington has been ready to move in with a different type of contract, or relocate dropped employees with almost every cutback.

Not so, however, with the sharp lopping off of Brewster's order for Corsair type planes which was being executed in the Long Island City plant, giving that community a considerable part of its payroll. Some hope is held, however, for parts orders. There even is talk of building a newly developed plane there.

The Government's action with respect to Brewster draws back the curtain to expose important light on Washington methods. The finished article at Brewster's was satisfactory in every way, production schedules were being met -- but unit costs were high. The fact that New York Area already has a labor surplus wasn't considered. Strict economy controlled.

When placing contracts for war goods, WPB refused to send new orders to areas of labor shortage. Contracts were signed elsewhere because manpower was available. In the cutback of Corsair plane production, orders were not cancelled in zones of critical labor scarcity. That factor apparently no longer weighs.

The cutback is reaching into Washington payrolls. Peak employment in the War Production Board was 22,900. By April 1 it had been cut back to 16,327. By June 30 it is expected to stand at 12,586. Several other agencies are reducing comparably.

Organized philanthropic institutions are receiving their support from medium and lower-income groups, finds the American Council on Education, adding: "A major problem of American philantropy is the location and education of the non-givers."

The source of this report defies criticism: The generous donors so reported on their Federal income tax returns!

The fact that pending appropriation bill requests are about 7.5 billions below those of last year throws a distorting beam on the rate of planned expenditures in the new fiscal year. The statistics have similarity, but are not identical.

Money now moving into the hands of war contractors and being elsewhere expended by the Government was appropriated as long ago as two years, in some instances.

That accounts for the fact that many "in the know" are placing the probable end-of-war national debt at 240 billion dollars instead of 300 billion dollars, the figuure long used and generally accepted. The vouchers are far behind the amounts authorized; they furnish a good gauge of what lies ahead.

The navy is reaching the maximum strength at which it can be operated efficiently. Destruction of sea and air craft has been greatly reduced. Successes in the Pacific have narrowed -- in Washington thinking, at least -- the spread between all-out assault and victory.

These and other factors within the knowledge of Congress and the departments (some of which aren't being publicized) have placed the probable debt at the 240-billion figure.

That it isn't merely a guess, but is regarded as having real basis is shown by the fact that the original extension bill was for a limit of 260 billions. Twenty billions is a staggering sum, and against the background of the national debt the lopping off it is significantly precise.

No one in Washington is betting too heavily, of course, on the accuracy of the forecast implicit in the reduction and the new figure. There are to many imponderables.

The American people have been put on notice that bonuseering again is on the march. World War I legislation for benefits to veterans and their families has been extended to the point where it bears no resemblance to the original statutes. This will be true, too, of the present conflict.

Already bills for outright bonuses are in the legislative hopper. Pay rates for military personnel were multiplied by Congress to avoid recurrence of the Bonus March. The G. I. Bill of Reights seems on its way to passage, essentially deserving law but loaded down with items that will cause its ultimate repeal in whole or in part, revive the bonus question.

Vast Implications of Harnessing Agriculture to Industry

BY JOHN DANA

OUT of retorts and flasks in chemical laboratories are coming developments that will give farmers undreamed-of markets for their crops in the years after the war. Chemurgy, the science of utilizing agricultural products as industrial raw materials, is nothing new. Yet what has been achieved to date is only a start and tomorrow's developments will be carried to miraculous heights, forming the basis for many new industries and for phenomenal growth of older ones.

Carbohydrates, proteins, vegetable oils and alcohol, these great classes of raw products, form the bountiful resources placed at our disposal by Nature. They will never become exhausted. If we make full use of them industrially and commercially, we shall go far towards solving our most difficult economic problem, the business cycle. This can be accomplished by revamping the agricultural cycle in such manner as to keep the industrial cycle in full operation. By having a perfectly meshed industrial-agricultural cycle, unemployment should be greatly minimized, the economic cycle largely stabilized. The idea is by no means fictitious; only purposeful planning and action are needed. Great progress, in fact, has already been made and will continue to be made as we proceed to exploit the experiences born from war-time research and development.

In a typical pre-war year, a caravan of 50,000 giant trucks would have been needed to haul at one time the farm products purchased by only one of our great chemical concerns, duPont. Today, much larger tonnages of crops grown by American farmers are required by American industry to meet war-time demands for numerous chemicals and other products. This trend is by no means temporary but constitutes a fundamental development that promises to become an important source of post-war income for our farmers.

Vital industrially used products from farms and forests include vegetable oils, turpentine, cotton, cotton linters and wood pulp, to mention just a few. Cotton linters and wood pulp, leading sources of cellulose, are consumed in ever mounting quantities for the manufacture of a vast array of products. Linters in great bulk are used to make smokeless powder but the constant growth of the rayon industry has created further important markets for them. Together with wood pulp, they are being used to provide pure cellulose for rayon manufacture. In 1943, the rayon industry consumed 237,000 bales of cotton linters and more will be needed henceforth for the manufacture of high-strength rayon yarns for tire fabrics. The discovery that Southern slash pine is also suitable to produce pure cellulose is creating a new source of income for the South where aggressive reforestation is undertaken to insure a permanent supply.

Other agricultural products, such as glycerine from fatty oils and wheat flour, enter into explosives manufacture. Corn, converted into alcohol, contributes to the production of dynamite. Vegetable materials, essential to the chemical industry, include oils from flaxseed, soybeans, cotton seed and tung nuts—the latter new to American agriculture—, not to mention the lowly peanut, plantings of which have more than doubled during the war. Ingredients for lacquers and finishes are derived from turpentine and rosin, extracted from Southern pine; from turpentine is also made synthetic camphor, superseding the natural product formerly imported from Ja-

pan. Huge quantities of molasses and grain are converted into industrial alcohol.

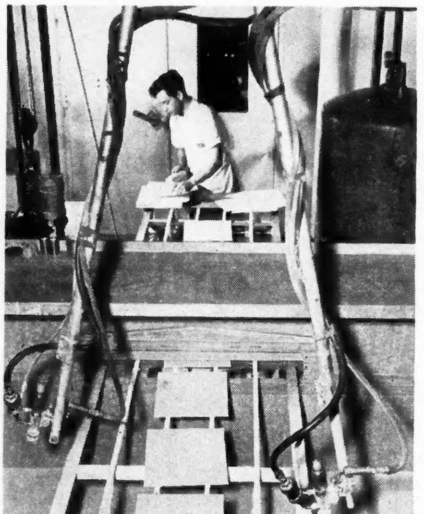
On Mississippi and Louisiana farms, acres of sweet potatoes are planted to produce the half billion pounds of starch formerly imported from the tropics. More than 200,000 acres of Southern cotton land will eventually be so used in addition to sizeable acreages in Arkansas. Palmetto, heretofore considered a useless weed that spoiled millions of acres of Gulf Coast land, has proved itself a satisfactory substitute for cork. Even corn cobs will have usefulness when the end of the war permits industrial application of laboratory developments.

Corn, one of our leading animal feeds, has turned out to be an unusually versatile raw material. Huge tonnages are used for alcohol manufacture; Illinois corn fields, in conjunction with coal and limestone beneath the prairie, form a potential source of synthetic rubber. Corn stalk can be made into newsprint, into useful fibres, even into building materials, just as bagasse, the fibrous portion of sugar cane, is already widely used for the manufacture of building and insulating materials.

In Texas a research worker has discovered a way to treat cotton with synthetic resins to produce a fibrous composition material from which clothes can be made without weaving the cotton into cloth.

Apples are finding their way into the nation's cigarettes, the juice replacing glycerine as a moistener of tobacco. Apple pectin is doubling as a substitute for imported agar in bacteriological laboratories, providing a gel in which bacteria cultures grow readily.

Grape seeds yield an oil for textile and leather finishing. Extract from the osage orange tree is used to tenderize beef. Carotene from common alfalfa provides vitamin A, once available only from fish liver oils.


Westinghouse Photo
Plastic paint, containing ingredients made from agricultural products, is "shot" on aluminum sheets by means of automatic spray guns

Woodpulp products are emerging as an important industrial development along several lines. The industry over the past few years expanded to the tune of over $200 million in new investments. Southern newsprint mills—using southern pine—are in their third year of successful operation. Artificial sponges have been fabricated from woodpulp and cotton. Shredded redwood bark is making a fire-resistant insulating material.

Casein, made from milk, is widely used for laminating fabrics, as a binder for pigments, as an industrial adhesive; casein fibre has long been known as an excellent substitute for wool. The once-discarded whey, residue of cheese manufacture, is now turned into milk sugar, ethyl alcohol and glycerine.

The South, in particular, stands to benefit enormously from the development of chemurgy. Rosin, turpentine and pine oil, made from the pine stumps of Southern waste land, have been revealed as a hidden gold mine of chemical treasures, bringing appreciably nearer the chemist's dream of making pine wood one of the major raw materials, taking its place with coal tar and petroleum as a source of synthetics. It means that another new industry which has been inching through development stages is set to become big business in the post-war period. Even today, the creak and grunt of mechanical stump pullers all over the South is sounding the death knell of a long list of imported natural products.

New synthetic gums for varnishes have been created, life savers for the paint industry hard hit by war-time interruption of imports of foreign drying oils. New compounds have been developed to replace African pyrethrum, imported anis seed for drugs and flavorings and perhaps even synthetic methanol. Also numerous new synthetics essential to chemists, the plastics industry and for reclaiming rubber. There is little doubt that the Southern pine has "arrived" as a major industrial raw material, thanks to unremitting research of leading chemical firms. It has joined cotton and rapidly expanding oil-bearing crops to make the South into a rich storehouse of valuable raw materials and the newly coined slogan "Go South, Young Man" is indicative of the opportunities envisaged south of the Mason-Dixon line.

But probably the outstanding example of a relatively new farm crop furnishing many industries with raw materials is the soybean, a veritable powerhouse of proteins. So deeply has this hairy little legume insinuated itself into the war effort that American farmers this year will plant some 14.3 million acres compared with only 9.5 million acres in 1939 and 2.4 million acres in 1929. In point of acreage, soybean plantings this year will rank seventh among the nation's crops. In dollar value, expected to approach $400 million this year, the soybean crop will be surpassed only by cotton, wheat and corn.

Such popularity must be deserved, and indeed it is. The soybean has been called the wonder bean of industry; chemical wizards have given it a versatility ranging from hay to hairpins, and the war is developing many new uses. Altogether, their number is almost legion. Moreover, soybeans grow in almost any kind of soil and require relatively little attention after planting. They seem impervious to pests and plant diseases.

Apart from its versatility, the soybean's race to popularity was fostered by an extremely liberal price support policy of the Government. In 1942, it guaranteed a minimum price of $1.60 a bushel, twice what soybeans were worth in 1941. Today, a minimum price of $2.04 per bushel has been guaranteed farmers by processors who cooperate under Commodity Credit Corporation license. Last year's guaranteed price was $1.80 a bushel. This price support naturally proved a powerful stimulus to farmers and this year we may rival China as a soybean producer. The bulk is grown in Illinois, Indiana, Iowa and Ohio, with Illinois far outstripping the others in point of acreage.

Members of the soybean industry like to stress the high protein content (40%) of their product, ranking in nutritive value along with meat, milk, eggs and cheese. Being utilized in numerous forms such as flour, flakes and grits, the soybean provides us with a large number of food products, becoming increasingly popular. Also,

we derive from it valuable animal feeds and fertilizers. But beyond these uses vital to agriculture and human nutrition, the range of industrial applicability of soybean derivatives is truly impressive, making this modest bean one of the pillars of chemurgy.

Soybeans are either crushed for their oil or ground into meal. Ninety-five percent of the oil is used in foods

Industrial Rayon Photo

Rayon yarn, one of chemurgy's star achievements, is being processed by means of electronic heating equipment

such as oleomargine. Industry uses the remainder in paints, automobile finishes, lacquers, soaps, as a lubricant and binder for foundry sand, in printing inks, leather dressings, linoleum and rayon manufacture. Other uses are for paper sizings, enamels, in the manufacture of rubber substitutes and waterproofing agents, glycerine, explosives, ethyl gasoline and plastics. In 1942, the Ford Motor Co. began producing a fibre similar to wool from protein extracted from soybean oil. Today, we have cloth that looks exactly like woolens but is entirely made of soybeans.

Soybean oil is an efficient substitute for war-scarce perilla, sesame and tung oils favored for paint manufacture because of their quick drying properties. It is doubling for coconut oil, used in soap manufacture, and in a pinch could be used for the manufacture of ersatz tires just as it is now furnishing one of the finest ersatz wools. We all know its importance to the plastics industry, originally pioneered by Henry Ford, one of the early soybean enthusiasts.

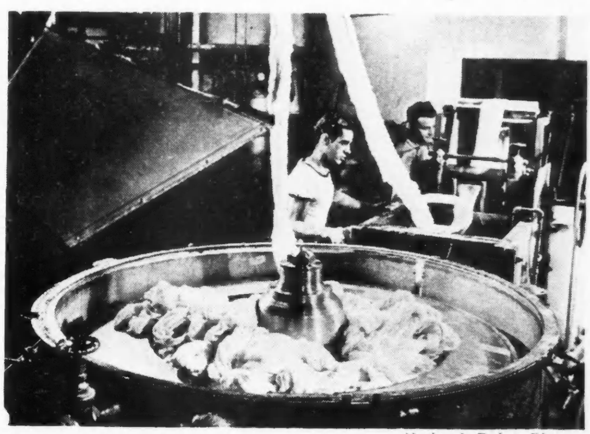
The soybean, in short, furnishes not only a wide range of foods and feeds but also such varied products as buttons, glue, coffee substitutes, synthetic rubber and wool, paints and lubricants, to mention just a partial list. Existing possibilities are far from exhausted; the American Farm Chemurgic Council recently predicted that chemical research would eventually make soybean protein as important an industrial raw material as cellulose. It is well on its way. Soybean products prepared for human food last year amounted to 400 million pounds compared with about 35 million in the 1935-41 years. This year, the War Food Administration hopes for a 1.1 billion total. Oil extraction last year reached 1.2 billion pounds and at least the same quantity should be available in 1944. Production plans this year call for a harvest of fully 215 million bushels of soybeans.

The soybean of course is here to stay. While with the end of the war, requirements of soybean foodstuffs may diminish—many are now used in the Armed Forces or shipped abroad as Lend-Lease—, soybean feeds will continue to be used in increasing amounts and industrial takings should further expand, displacing partly or wholly a good many formerly imported materials. Research, moreover, will find new uses. Under the circumstances, it is not difficult to visualize the stabilizing effect of expanding soybean cultivation on agriculture. It may help transmute the agricultural Middle West into one of the nation's leading industrial raw materials reservoirs.

In the entire field of synthetic oils, the scientist has done wonders. From fatty acids derived from animal fats, he has synthesized a number of oils which due to their unusual properties have become of growing importance to various industries. Some of them, designated as "Neo-fats" and developed by Armour & Co., are extremely useful in the manufacture of alkyd resins, and as ingredients in paints, enamels, inks, coatings and plastic compositions. When restrictions on equipment necessary for their manufacture are lifted after the war, these fatty acid derivatives will fulfill a great mission in industry and contribute to the solution of many a knotty industrial problem.

With the exception of the southern pine, we have so far said little about wood, yet wood is bound to play an ever increasing role in supplying industry with vital raw products. Apart from its convertion into cellulose, wood can be quickly and cheaply converted into industrial alcohol, into sugar, and into animal feed. Not long ago, the first plant was authorized to utilize a new process for making alcohol from sawdust and wood chips. It is a development of tremendous potentialities. Chemists today foresee the alcohol industry expanding after the war into one of the greatest American industries, producing a raw product needed for the manufacture of dozens of synthetics such as plastics, rubber, fibres and new fuels.

This year, the official demand is that we produce some



National Dairy Photo

Making fibre from milk. In this apparatus, resembling a huge washing machine, the fibre is squeezed, under tremendous centrifugal pressure, of chemicals which are recovered for use again

640 million gallons of alcohol. Scientists predict that within two decades, we may well consume twenty billion gallons annually. Agriculture alone can furnish the raw materials in the form of grains, wood, molasses, potatoes and other products of the soil. In the fuels field especially, alcohol may be destined to become a means of conserving our unrenewable resources of petroleum, replacing the latter not only as a source of energy but as a principal ingredient for the manufacture of synthetic rubber and many plastics now derived from a petroleum base.

The potentialities of alcohol are indeed manifold. Take for instance that remark- (*Please turn to page 263*)

Selecting Best Stocks in the Most Promising Industries

No. 6—RAIL EQUIPMENTS

Our Two Stock Selections: Westinghouse Air Brake; Youngstown Steel Door

BY WARD GATES

Editor's Note: This is the sixth of a series of articles on industries we believe most promising from an investment-speculative point of view. From each, two stocks will be selected: one, our conservative choice for income and appreciation; the other, our choice for more speculative investment. For guidance on timing of purchases, follow the A. T. Miller market analysis in the fore part of each issue of this publication.

WITH the onset of the great depression of 1929-1933, the railroads—which, though it was not fully realized by the public, had already begun to lose their monopoly position in transportation—suffered a drastic change for the worse in credit status. As a result of this, during the entire period between 1929 and the development of our present war economy, the railroad equipment industry was more than ever before a "prince and pauper" field—and more pauper than prince.

Since it was always a cyclical field, and since from an investment point of view the record over most of the past fifteen years was so poor, we may properly be asked why we include rail equipments in the list of industries regarded as having above-average post-war prospects. The reasons are as follows:

First, we believe that the great improvement in railroad financial position, brought about by reorganizations and by non-bankruptcy debt retirement during the war years, is of major and lasting significance.

Second, we believe there will be an extended period of high general economic activity after the war—otherwise one could hardly be very optimistic about the potentials of any basic industry—, that the railroads' gross share of national income will at least approximate the percentage of the pre-war years 1936-1939, and that, as a result of sharply reduced fixed charges, earning power and credit status are likely to be not only considerably better than in 1936-1939 but (excepting the war period earnings) the best since the '20's.

Third, on the technical side, the railroads today have more aggressive, competition-minded managements than ever before. They are already making their plans to fight progressively for volume against highway and air competition, and all agree that this calls for more improvements and innovations in facilities and service than ever before.

On these lines of reasoning—also allowing for considerable export demand for a time after the war—we believe it probable that the rail equipment industry will have a decidedly favorable volume situation for at least several years after the war, perhaps longer; and that well-situated companies are likely to earn good profits, especially after there is some degree of reduction in war-time taxes.

Despite the cyclical character of the industry, it is worth noting that our investment choice in this group—Westinghouse Air Brake—has paid dividends without omission for some seventy years and has maintained a rather good earnings record. On relative investment merit within the group, there is not much room for debate on this stock. Against this, choice of the second issue, for speculative-appreciation, is a more "argumentative" matter, since differences in intrinsic quality among the various candidates are not so pronounced as among the few that can be considered as having semi-investment status. Giving weight to low price—and what we believe to be exceptional longer-term market potentials—this selection is Youngstown Steel Door.

Westinghouse Air Brake is in a stronger position than the car builders or locomotive makers, for it has a big field of work to do besides the supplying of its brakes and other products for such new rolling stock as is built. It has a large number of old cars to equip. The Association of American Railroads adopted a program of putting the improved AB type air brakes on all freight cars used in interchange service, as well as on all new ones. At the

end of 1943, there were about 890,000 cars in use with these brakes, of which Westinghouse is the biggest maker, and about 1,225,000 others not so equipped and a substantial percentage of the latter are expected to be converted to this standard equipment after the war The company has a number of activities besides making and repairing the air brake invented by George Westinghouse. Its engineering and research departments have made many improvements in the brake through the years and have developed automatic air brakes for automobiles, many new train signal and safety devices, power plant controls for ships, air compressors and a number of devices used in industry. Improved apparatus for rail traffic control has a large potential market.

This company is in its seventy-fifth year, having been incorporated in 1869 under Pennsylvania laws. The original charter was dated September 28, 1869. The original capitalization has been greatly increased through many stock dividends in the past, most particularly so in the period before 1927 when stock dividends of 25%, 33⅓% 20%, 35% and smaller amounts were paid on the former $50 par value stock, which was split four for one when the no par value stock was issued in 1927. The present capitalization consists of just one class of stock, of which 3,172,110 shares are outstanding.

Cash dividends go back to the early years of the company. From 1875 to 1886, they averaged $26 a share annually, and the average from 1887 to 1899 was $13.75 a share. In each year from 1899 to 1907, dividends were $10 a share or more, and from 1908 to 1921, the lowest in any year was $5.75, and the lowest in any year from 1922 to 1927 was $4.75. After the four for one split up, the dividend rate started at $2 a share annually, but the lowering of earnings in the depression resulted in smaller payments in the 1930s. The smallest payment was 50 cents in 1935, followed by payments above $1 for most of the later years, excepting for the 62½ cents a share paid in 1939. The average dividends for 1932 to 1943, inclusive, was $1.27 a share annually. The payments in 1942 and 1943 were $1.25 a share each, and the same is looked for in 1944.

Earnings on a per share basis were very large in the early days of the company, but it had a small capitalization. Before the four for one split up, in the 1920's, income was often above $10 a share, and in 1926 it was $13.28 a share. Earnings on the new stock started at near $3 a share and held above $2 through 1930, but in the depression of the next few years, when so many companies showed severe deficits, Westinghouse had some net earnings in every year excepting 1933 and then its deficit was only 21 cents a share. For the ten years, 1934 to 1943, inclusive, the average earnings were $1.22 a share, and for the past four years they were $1.60.

The 1943 report showed gross business of $69,339,323, which was nearly $7,000,000 above the year before and the largest in the company's history. The 1929 business was less than half of that done in 1943, but a considerable amount of work for the armed forces has been done in the past two years. This has included airplane parts, shells, pistols, carbine parts, howitzer parts, projectiles, bomb caps, fuses, etc., as well as special brakes and controls in line with the regular business of the company. The operating profit of $16,699,210 in 1943 was nearly $3,200,000 larger than the year before, but other income of $1,204,422 showed a decrease of over $200,000 and taxes of $13,906,883 (before refunds) were over $3,000,000 larger in 1943 than the year before. As a result, net income of $4,514,913 last year was less than $300,000 above 1942.

Taxes have been a cause of concern to many companies, and most annual reports in the past two years have emphasized them, with graphs, charts and tables, which have shown the percentage or proportion of taxes to gross, net, wages, dividends, etc. The 1943 Westinghouse Air Brake report graphically shows in a few figures how the taxes have increased in recent years. In 1929, the company paid $1,447,831, which is less than 10% of the 1943 tax bill.

The balance sheet as of the end of 1943 shows a very strong financial position, with cash on hand of $14,410,634 and U. S. Government and other marketable securities of $13,831,773, a total of cash items of $28,242,307. The receivables of $15,107,318 at the end of 1943 were nearly $6,100,000 larger than at the end of the previous year. Inventories were carried at the lower of cost or market value, being $15,200,264. The total current assets of $58,606,402 were almost $7,600,000 above those at

THE STATISTICAL BACKGROUND

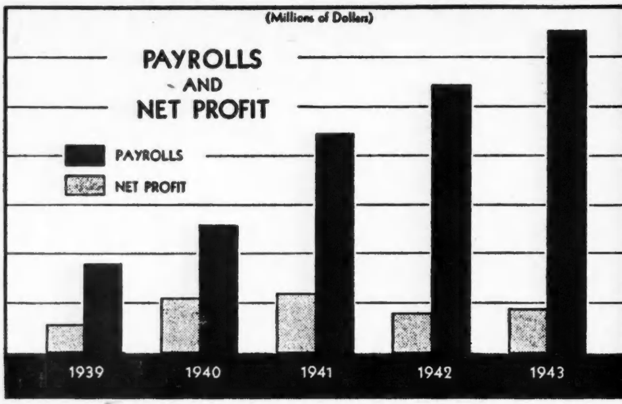
	Westinghouse Air Brake	Youngstown Steel Door
Funded debt	None	None
Preferred stock	None	None
Common stock at market value	$76,130,640	$10,088,800
	3,172,110 shares @ 24	665,920 shares @ 15
Income account–Year to Dec. 31, 1943.		
Gross income	$69,339,323	$3,723,549
Operating profit	16,699,210	305,254
Taxes paid, net after postwar refund	12,766,308	73,666
Net earnings, after deducting special reserves	4,514,914	80,219*
% of operating profit to gross	24.1%	8.2%
% of net earnings on total capitalization	12.9%#	4.3%#
Earned on common per share	$1.42	$0.12*
Earned on common at market price	5.0%	0.8%
Ration of gross revenue to total market value of common stock	0.9 to 1	0.3 to 1
1936-1943 average net earnings, per share	$1.43	$1.47
1936-1943 earnings, percent on recent market price	5.9%	9.8%
Dividend rate on common	$1.25	$0.50
Dividend yield on common	5.2%	3.3%

*Exclusive of indicated recoveries of about 82 cents a share —See text.
#Based on stated value of stock in balance sheet.

Balance sheet Dec. 31, 1943

	Westinghouse Air Brake	Youngstown Steel Door
Cash assets	$28,242,307	$2,111,157
Receivables, net	15,163,730	1,122,032
Inventories, net	15,200,264	1,170,105
Total current assets	58,606,402	4,403,294
Total current liabilities	24,183,953	728,123
Net current assets	34,422,449	3,675,171
Current ratio	2.4 to 1	6.0 to 1
Net tangible assets available for common stock	$52,421,909	$5,707,250
Cash assets per common share	$8.90	$3.17
Net current assets per common share	10.85	5.52
Book value per common share	15.61	8.57
Net tangible assets per common share	16.52	8.57

WESTINGHOUSE AIR BRAKE PAYROLL-PROFIT RATIOS



the end of 1942. Current liabilities also showed an increase, particularly in accrued taxes which were $19,350,970, or more than $5,000,000 over that item at the end of 1942. The total current liabilities of $24,183,953 were nearly $6,100,000 over the year before. Net current assets amounted to $34,422,449, equal to $10.85 a share.

The company had a number of properties and agencies in Europe before the war. These were carried in the 1943 balance sheet at only $1. What, if anything, may be recovered after the war is problematical, as most of these properties were in Germany, France and Italy. Other subsidiary properties are carried in the 1943 balance sheet at $5,766,987. Its own fixed assets are listed at $19,142,262 from which is deducted $11,896,247 for accrued depreciation, leaving the net figure at $7,246,015. So many companies have made large write offs of their plants and equipment that it is a commonplace to state that probably the deductions are too large. If they had to be sold, perhaps the Westinghouse fixed assets would not bring even the depreciated values set down for them, but for a going concern to have written off over 60% of its property value is certainly very conservative. In addition to these items, this company has $830,218 for properties held for disposal, at the estimated realizable value. Patents are carried at $1. We wonder what price would buy the air brake, signal and other patents owned by this company! Possibly it would be many millions, but it is conservative practice to carry intangible items such as patents, copyrights, trade marks, etc., at $1.

The liability side of the Westinghouse Air Brake balance sheet lists the current items shown above, consisting mostly of accrued taxes, and also includes several small items, of which the most important is $2,789,883 reserves for contingencies, workmen's compensation, etc. The capital stock is carried at $34,893,218, or $11 a share, and the earned surplus at $14,610,159. The sum of the last two items equals $15.61 a share, the book value of the stock.

In years far back, the old $50 par value Westinghouse stock sold at very high figures. The 1929 high on the present no par shares was 67¾, and the depression low on it, in 1932, was 9¼, which was nearly doubled later that year and nearly quadrupled in 1933. The subsequent high was 57¾ in 1937. The 1938 low of 15¾ was more than doubled in the 37¼ high of 1939, but in 1942, a low point of 13⅞ was reached. The market movements since then have been small as compared with the wide swings of previous years, with the 1942 high 19¼. The range in 1943 was 24⅞-15½, while in 1944 to date it has been 24⅜ high, 21 low.

With the favorable outlook for business after the war, it is to be expected that the stock will be taken into investment portfolios in increasing amounts, and there are good prospects that it will have a higher range than in the past two years. The outlook for 1944 is fairly favorable. In the first quarter gross of $21,339,970 showed nearly $7,000,000 increase over the same period in 1943, while the net income of $1,285,397 was nearly $250,000 larger. Per share earnings were 41 cents in the first three months of 1944 against 33 cents for the same period in 1943.

Youngstown Steel Door in peace-time produces over 95% of the steel doors used in freight cars in the United States. This business has been on a small scale during the war period and the company has been engaged mostly in making war materials. Its war products include armor plate, artillery trailer vehicles, detachable fuel tanks for airplanes to be dropped when the fuel is used up, and other items. The armor plate business was suspended over a year ago, which had an adverse effect on 1943 earnings. Normally, in addition to its steel door business, Youngstown makes a number of special articles used on freight cars, including fixtures, car sides and steel containers for handling bulk freight and similar articles.

This company has no bonds or preferred stock, but it does have a $2,000,000 "V" loan, which matures on December 1, 1946. The only outstanding security is 665,920 shares of no par value common stock.

The company was formed in 1924, but most of the stock was privately owned until well into the 1930s, and reports of earnings before 1933 were not made public. In 1933, a deficit of 24 cents a share was shown. Business increased moderately in the next two years, and small net income was reported, but a great gain in sales developed in the next two years, resulting in net earnings of $1.80 a share in 1936 and $3.32 in 1937. There was a drop in 1938, when income was only 7 cents a share. The 1939 net earnings amounted to $1.20 a share, with $2.10 in 1940 and $2.06 in 1941. War work plus car door orders produced the largest gross in the company's history in 1941, which was over $11,400,000, (*Please turn to page* 268)

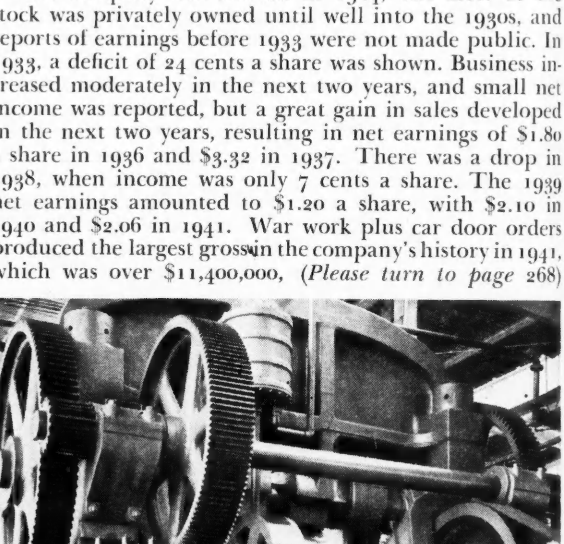


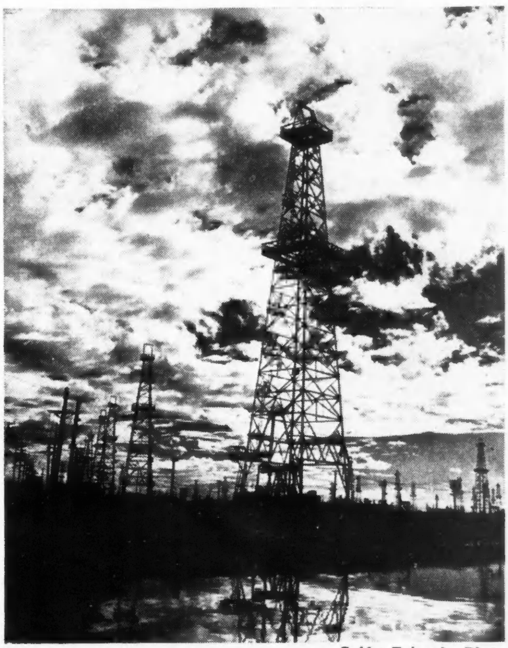
Photo Courtesy of Youngstown Steel Door

3,000 ton capacity press used to form panels for Youngstown steel doors

Ever Changing Picture in THE OIL INDUSTRY

BY H. F. TRAVIS

SINCE our detailed discussion in the March 18 issue of the petroleum industry's position under war-time operations, there have been two outstanding developments of potential long-range importance. One is the new oil rush in the South East, coming as something of an anti-climax to earlier pessimism over the state of our crude oil reserves. The other is the soft-pedaling of the Arabian pipe line issue after recent exploratory conversations between the United States and Great Britain about world oil problems and policies. While some contend that the pipe line issue is now dead, oil industry spokesmen warily caution against such an assumption and continue to talk about the Government threat to the well established position of the American oil industry in the foreign field.



Snider-Triangle Photo

Whatever the real situation, and some time may elapse until we shall learn it, the pipe line project—and all it implies—now appears a good deal less of an immediate possibility. The project may never be carried out; we know that Britain's attitude has not been encouraging. If we nevertheless go through with it, private rather than Government funds may be employed to finance it. As to the larger subject of world oil policies, we know little of what actually transpired during recent discussions. Since these were merely exploratory, it is safe to assume that specific proposals will be dealt with at a future world conference, with Anglo-American exploitation of Middle Eastern oil the central point of departure after settlement of technical problems between the two Governments.

Marketwise, continued uncertainty over international aspects was more than offset by developments at home. The new oil rush greatly stimulated market interest with the result that dealings in oil equities, and securities of other companies likely to benefit from oil discoveries on their properties, frequently formed the "piece de resistance" in otherwise uncertain and often colorless markets. Stocks of companies chiefly operating in the South particularly appealed to traders' imaginations, such as Houston Oil with its big acreage in East Texas and Louisiana, Humble Oil with its holdings in Texas, Florida and Mississippi, and Gulf Oil with its extensive properties in Mississippi, the central point of the latest "oil boom." All these have become great trading favorites, plus certain industrial and railroad equities bought on the strength of land holdings in the areas where new oil is suspected. A recent speech by Joseph E. Pogue, an expert on petroleum economics, predicting ultimate big development of new petroleum lands in Mississippi, Florida, Georgia and South Carolina, virtually "poured oil" on the speculative fires which for a time burned lustily within the constrictive bounds of an otherwise subdued and uncertain market.

Mississippi is the focus of the current excitement after a "gusher" was brought in on Gulf Oil Company's property in Jasper County on April 8 with an estimated flow of five to ten thousand barrels a day, apparently the biggest producing well east of the Mississippi river. Active drilling is under way in Georgia, and feverish leasing activity was touched off in dozens of counties all along the coastal plain. The states of the South East have been stirred into great activity, in seemingly confident expectation of striking oil anywhere in the great belt sweeping around the roots of the Appalachians through Mississippi, Florida, Georgia and South Carolina.

The official attitude is one of cautious optimism but the oil possibilities in the foregoing areas do appear to have a good geological basis. Nevertheless, oil company executives warn that oil land speculation is overdone and on basis of past experience may prove costly for many. To illustrate the point, they refer to their own experience. The twenty largest oil companies recently estimated that of the 51 million acres they own, only 7% so far is productive. Even that percentage is high compared with the industry as a whole since history has shown that only 1% to 3% of all areas tried eventually produce. Yet speculative enthusiasm apparently will not go down.

On top of these stimulating developments, oil industry profits keep running ahead of last year as crude oil production is attaining new records and product sales continue to reduce inventories of a good many companies. This earnings improvement materialized in spite of higher labor and materials costs, not to mention more burdensome taxes.

In the first quarter, net profits of 24 companies increased more than 33% over the same period in 1943, and were about 65% higher than in the first quarter of 1941, the last pre-war year. Companies operating on the Atlantic Seaboard showed particularly good profit increases, for three reasons. First, there was no repetition

of the pleasure driving ban which reduced gasoline sales last year. Secondly, expansion of transportation facilities brought a record volume of crude and refined products into the area. Thirdly, refineries, because of larger crude arrivals, were operating at capacity. West Coast companies, too, reflecting record operations, came through with substantial earnings gains so far this year.

Producing companies on the whole held their own or showed only modest profit increases because of the cost of expanded drilling operations, partly charged against current income. Exceptions were Amerada whose March quarter net was $1.84 against $1.20 last year, and Houston Oil which reported 53c per share versus 22c. Profit trends of companies operating in the interior were somewhat mixed. Skelly and Phillips Petroleum reported increases; Continental Oil, which undertook a much larger drilling program this year, had a small decrease.

Viewed from any angle, the oil situation appears basically sound. There are no good reasons for any fear of crude oil shortages in the foreseeable future. Demand for the duration of the war is readily met despite sharp gains in current consumption, pointing to a new peak this year. While a temporary recession is quite likely when the war ends, the secular uptrend in demand is expected to continue, eventually matching and exceeding war-time peaks. In view of the favorable outlook picture, the question of higher crude oil prices, for the time being at least, appears to have taken a back seat. The price battle continues to be fought at congressional hearings with OPA Administrator Bowles and Economic Stabilization Director Vinson stanchly opposing any general upward revision. Higher crude prices thus appear still a long way off. Once war tension begins to abate and we seem over the top as to military oil needs, it appears reasonable to expect that companies which so far paid out only small portions of their earnings may institute more liberal dividend policies. Such hopes may materialize once the European invasion approaches a favorable conclusion. Among possibilities are Atlantic Refining, Continental Oil, Pure Oil, Richfield Oil, Sinclair Oil and Skelly Oil, all companies paying rather small dividends in relation to current and recent earnings.

The preponderance of constructive elements in the oil industry outlook readily explains the speculative favor currently enjoyed by oils. As a group they have always been judged among the most attractive and their present high market valuation is believed justified in view of better than average prospects. Indicative of their strong market position is the fact that the MWS average for petroleum shares recently established a new high since 1943 and current prices, individually, are not far off; some are around their best since 1937. Chief investment criterion continues to center on crude reserves and producing companies with strong reserves are especially well liked. So are most integrated companies with substantial crude oil reserves and with crude production equal to or in excess of refinery requirements.

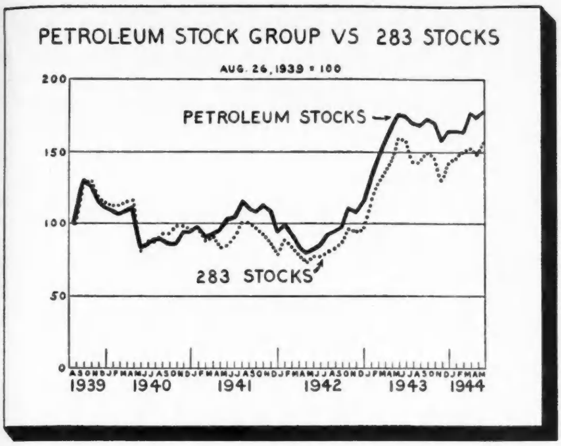
Among investment quality stocks in this category are Amerada Petroleum, Continental Oil, Gulf Oil, Humble Oil, Phillips Petroleum, Socony Vacuum, Standard Oil of California, Standard Oil of New Jersey and Texas Company. The latter four and Gulf Oil are fully integrated companies, the remainder largely crude oil producers. For statistical data see the accompanying table describing the position of leading oil companies.

Amerada, the only "blue chip" in the oil group, stands out by reason of substantial crude reserves in relation to capitalization. A further net increase in proved and developed underground reserves took place in 1943. Last year, net crude oil production rose 16% to 13,565,124 barrels, largest in the firm's history. Sixty-eight oil wells and 12 gas wells were being drilled at the end of 1943, and the company owns full or part interest in 1,262,000 acres of oil and gas leases, mineral rights, etc. In 1944, substantial expansion of drilling activity has been scheduled. Extensive leaseholds in Venezuela so far have not yet been exploited. Despite greater drilling costs this year, net earnings should continue good. In some quarters they are estimated as high as $8 per share compared with $6.06 in 1943. First quarter net of $1.84 at any rate points to a substantial earnings rise unless offset later by mounting drilling costs. Despite its high price and

POSITION OF LEADING OIL COMPANIES

	1936-39 Avge. Net Per Sh.	1943 Net Per Sh.	1944 1st Quarter Net Per Sh.	1936-39 Avge. Div. Per Sh.	1943 Div. Per Sh.	Book Value Per Sh.	Net Quick Assets Per Sh.	1939 Crude Prod. 000 bbls.	1943 Crude Prod. 000 bbls.	Est. Crude Oil Reserves million bbls.	Crude Reserves per $100 net worth (in bbls.)	Their Value* at current Crude Price	Recent Market Price of Stock
Amerada Petroleum	$2.30	$6.06	$1.84	$2.00	$2.00	$24.49	$3.69	8746	13565	225	978	$1085	98¼
Atlantic Refining	2.79	3.79	1.51	1.41	1.00	66.30	4.61	13052	——	250	111	123	32¼
Barnsdall Oil	0.97	1.62	0.43	0.93	0.80	8.20	1.66	7365	8982	N.A.	——	——	16⅛
Cont. Oil Co.	1.87	3.00	0.68	1.25	1.00	26.74	6.40	23053	29544	N.A.	——	——	32
Creole Petroleum	1.47	0.44	——	0.88	0.50	6.71	0.78	35386	43414	365	205	227	25¾
Derby Petroleum	0.84	2.74	——	0.44	1.50	14.21	0.62	1063	2373	N.A.	——	——	37⅛
Gulf Oil	2.38	3.23	——	1.13	1.50	52.00	9.18	63719	85796	1675	374	415	49¼
Houston Oil	0.56	1.41	0.53	Nil	Nil	49.27	(b)	3132	3296	N.A.	——	——	11⅜
Humble Oil & Rfg.	4.08	2.54	——	1.88	0.56(a)	37.80	(b)	47605	106302	1850	447	496	44¼
Imperial Oil	0.89	0.58	——	1.19	0.50	4.98	2.58	34035	32048	N.A.	——	——	11¼
Lion Oil Rfg.	1.80	3.16	0.68	1.06	1.00	24.28	(b)	4257	3804	N.A.	——	——	22¼
Mid-Continent Petrol.	1.85	3.53	0.77	0.96	1.40	35.55	16.47	5169	4559	N.A.	——	——	36
Ohio Oil Co.	0.29	2.14	0.60	0.45	0.75	15.02	2.60	25113	29744	575	537	596	18¾
Phillips Petroleum	3.42	2.88	0.76	2.31	2.00	42.08	(b)	21456	24698	450	188	208	43½
Plymouth Oil	2.37	2.16	0.51	1.34	1.00	8.54	(b)	5461	6588	N.A.	——	——	17⅜
Pure Oil	1.33	2.50	——	0.13	0.75	23.55	(b)	22243	26233	450	235	260	16
Quaker State Oil Rfg.	1.13	1.23	0.32	0.95	1.00	18.69	8.02	——	——	N.A.	——	——	13⅜
Richfield Oil	0.52	1.00	0.22	0.42	0.50	20.60	6.89	5600	7400	N.A.	——	——	9⅝
Seaboard Oil of Del.	1.72	1.58	0.37	1.00	1.00	7.56	(b)	4383	——	N.A.	——	——	25
Shell Union Oil	1.12	1.82	0.51	0.61	1.25	17.38	(b)	47825	67708	725	208	230	27⅝
Sinclair Oil	0.94	1.85	——	0.83	0.50	21.38	0.56	23016	26255	550	161	178	13⅞
Skelly Oil	3.94	5.56	1.78	0.81	1.50	52.70	(b)	7413	11191	225	341	378	39½
Socony-Vacuum	1.40	1.15	——	0.63	0.50	21.77	3.30	75396	147409	850	100	111	12⅝
South Penn Oil	3.13	3.81	——	2.75	3.50	35.60	15.72	——	——	N.A.	——	——	42¼
Stand. Oil of Cal.	2.14	2.78	0.60	1.40	2.00	44.99	4.09	38406	56654	1250	202	224	36¾
Stand. Oil of Indiana	2.70	3.31	0.80	1.74	1.50	47.65	10.84	30623	——	550	69	76	33⅞
Stand. Oil of Kentucky	1.51	1.17	——	1.35	1.00	14.13	4.77	——	——	N.A.	——	——	17⅝
Stand. Oil of New Jersey	3.88	4.53	——	1.63	2.00(c)	50.54	8.10	242320	——	5950	364	404	55½
Stand. Oil of Ohio	4.22	5.31	1.22	1.50	2.50	72.77	(b)	——	——	N.A.	——	——	43
Sun Oil Co.	2.73	4.56	——	1.00	1.50	42.43	3.21	12163	——	500	287	315	56
Texas Company	3.58	3.83	1.06	1.94	2.00	50.14	6.05	63428	71900	1600	237	263	48¼
Texas Gulf Prod. Co.	0.79	0.47	0.10	0.13	0.20	5.92	0.89	1713	——	N.A.	——	——	5⅞
Tide Water Assoc. Oil	1.36	1.98	0.47	0.86	0.85	17.96	(b)	20560	27520	390	195	216	15
Union Oil of Cal.	1.68	1.56	0.33	1.16	1.00	30.30	1.09	14379	27719	331	176	195	18¾

N.A.—No Estimate Available. b—None available because of excessive prior obligations. * Value of crude reserves per $100 net worth.
a—On new stock, plus $1.37 on old stock. c—Plus stock.



low yield, the common is regarded as in a favorable market position, on basis of earnings outlook as well as the company's basically strong position.

Gulf Oil, a recent market favorite by virtue of its strong acreage position in Mississippi, center of the latest oil rush, is a fully integrated company managed and controlled by the Mellon interests. It is among the leaders in point of crude oil reserves, estimated at 1,675 million barrels including sizable holdings in Venezuela and Mexico and equivalent to some 185 barrels per common share. Finances are ultra-conservative, both as to balance sheet valuations and dividend policy. Disbursements over the last ten years averaged about half of earnings, the balance being plowed back into the property. At the current price of about 49, yielding only a trifle over 3%, the capital stock is believed in a promising market position for long-term commitment. The company is actively expanding its reserve position by new drilling and extension of old fields, and also purchasing additional producing properties. Selling somewhat below book value of $52 per share, the market risk appears below average and price prospects better than average. After the war, when taxes are lower, Gulf *could* be in line for a sizable "mellon," disgorging to stockholders some of the substantial earnings plowed back into the company over a good many years. At present, Gulf, like Amerada, is an ideal "rich man's" stock.

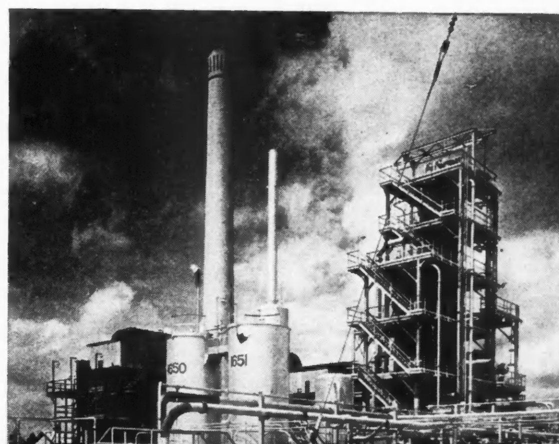
Humble Oil, about 72% owned by Standard Oil of New Jersey, also is in an exceptionally strong position in the crude field, and its strong marketing affiliations give the stock considerable promise. With extensive holdings in Texas, Florida and Mississippi, the stock partook in the recent market excitement arising from the new oil rush and currently sells around 44, a new high, yielding about 3.5%. Latest available estimates of proven crude reserves are 1850 million barrels or roughly over 200 barrels per capital share. With a 54% increase last year in crude output, operations presently are near the maximum efficient rate in most of the company's fields and 1944 earnings thus may not exceed last year's by any great margin. As a low-cost producer and serving one of the country's principal distributors of petroleum products, Humble's post-war prospects should be excellent, making eventually higher dividends a good probability.

Houston Oil, with sizable properties in Texas and Louisiana, in recent markets was carried to 11⅜, highest price since 1937 when the stock touched 17⅝. The stock is of course purely speculative, having paid no dividend on the common since 1930. Because of preferred arrears of $4.50 per share, none are in sight as yet though earnings this year should show a satisfactory increase over the $1.42 per share netted in 1943. The company's large undeveloped acreage has favorable implications for the longer term, subject to continued success in development work, and increasing industrialization of the South West should make for further growth in the natural gas division. At present, however, any commitment on basis of recent new discoveries in the South East is rank speculation.

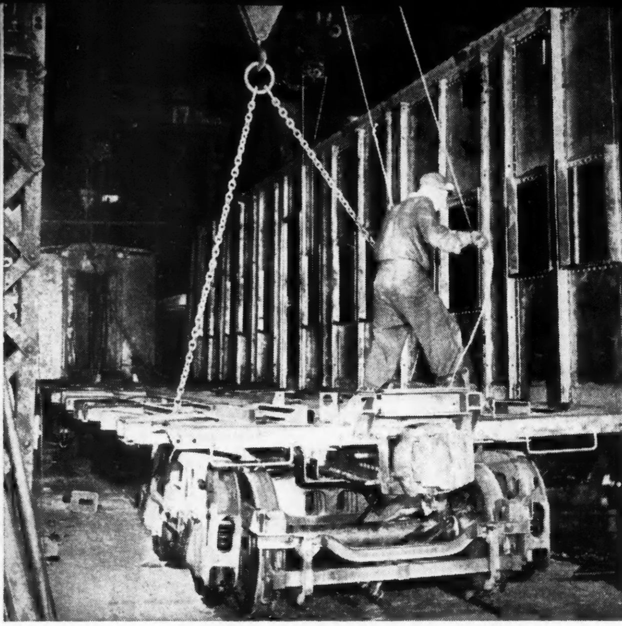
The position of such leaders as Socony-Vacuum, Standard Oil of California, Standard Oil of New Jersey, and Texas Company is too well known to require further elaboration beyond the statistical data in the appended table and the general information made available in our article in the March 18 issue of the Magazine. All are fully integrated, with strong crude positions here and abroad; the market position of their equities can be described as above average. In view of exceptional potentialities inherent in their place in the world petroleum picture, they are well suited for long term investment. Companies and stocks should fully participate in future world-wide growth and development of the oil industry. From the standpoint of yield, Standard Oil of California leads with a return of about 5.4%, fairly high for a good quality oil equity. Socony-Vacuum yields presently about 4%, Texas Company 4.2% and Standard Oil of New Jersey around 3.7%. All are selling close to the year's high.

Among the smaller companies, there are several with above average attraction from the standpoint of crude oil reserves. Ohio Oil is one of the better moderate-priced issues with a strong position in the crude field. It offers a yield of about 5%, with above average appreciation prospects. The company has an ambitious development program, calling for 228 development wells in 1944 in addition to 44 exploratory wells, and fourteen geophysical parties are presently operating in the field.

Skelly Oil appears moderately priced at 39½. In view of the fully integrated nature of this small but compact company, steady though by no means spectacular progress can be anticipated. (*Please turn to page* 267)



Modern oil refinery. They are all working full blast to "keep them flying"



Weighing Investment Values in *Pullman Break-Up*

BY STANLEY DEVLIN

FOR a great many years Pullman has been one of the most widely known corporate names in the world, but most people are familiar with it chiefly in association with railway "sleepers" and parlor cars. Many investors know it as an "old line" stock connoting both sleeping-car operation and manufacture of passenger and freight cars—a stock with a relatively good dividend record and featured by high asset values in both properties and liquid financial strength.

For stockholders, present or potential, the question of Pullman asset values has recently become a dynamic one because, in one of the most sweeping anti-trust decrees of recent years, a special three-judge Federal Court at Philadelphia has ordered that the sleeping-car operations and the car-building enterprise must be separated "completely and perpetually."

The present corporate set-up, disregarding relatively minor subsidiaries, is Pullman, Inc., parent holding company of the Pullman Company, which is the sleeping-car operating division, and of the Pullman-Standard Manufacturing Company, which is the manufacturing unit. The listed stock, of course, is that of Pullman, Inc.

In the long-pending anti-trust litigation, Pullman won only one point, but that is of much practical importance. Government counsel sought not only separation of the two subsidiaries but a decree which—if sustained by the Supreme Court—would have specifically compelled disposition of the manufacturing business and retention of the car-operating business. That, obviously, would have deprived Pullman, Inc., of all bargaining position. A forced sale, with no option, can hardly command a decent price, regardless of asset values or "going concern" values.

As it is, Pullman has the option of disposing of either of the two branches that it elects. This gives it some bargaining power—but even so the room for maneuvering and dickering appears to this writer far from comfortably wide. And, from an investment point of view, let it be said right here—to be amplified hereafter—that the court decree raises many more questions than it answers. And they will not be settled soon.

The decree becomes effective in 60 days, if not appealed, and the company is given 90 days to make its choice and submit a separation plan for court hearings and approval. After such approval, one year is to be allowed for carrying out the provisions of the order. Whether Pullman will appeal has not been stated at this writing. It probably will, if only to be quite sure of its legal status. However, the philosophical leanings of the present United States Supreme Court being what they are, most observers believe it probable that the dissolution decree would be upheld.

It is a logical assumption that the Pullman management will prefer to stay in the manufacturing business and get out of the car-operating business. There are various reasons for thinking so—perhaps the most influential being that railway car-operation is a Government-regulated affair, whereas peace-time manufacturing is not. But, naturally, the management can not be expected to state its plans and hopes. The book values of the sleeping-car branch are one thing and the values realizable on a sale are something else again. The only conceivable buyer is one who does not now exist: a pool to be set up by the railroads, operating like the American Railway Express. If only a fire-sale price can be had, Pullman in extremity might keep the sleeping cars and sell the manufacturing subsidiary. Yet sale of a huge car-building enterprise at a good price would also be no easy trick; for while the field no doubt has some good years ahead of it, the long-term record has been one of wide cyclical ups and downs.

About the only certainty in this situation is that there must of necessity be a lot of jockeying for position, protracted negotiation and dickering. The railroads are not at all happy over the thought of buying and operating the Pullman sleeping and parlor cars. They would much prefer going on "as is." They now have the advantages of Pullman service, without capital investment therein. Moreover, with their own much improved coaches, they are in important respects now competing with Pullman and doing so with an advantageous differential in fare. While the average Pullman car now carries approximately 21.8 passengers, highest load-rate in history, the

pre-war average was only 11.5 passengers, or much under one-half of capacity. From the railroads' point of view, this business is not too attractive. Though there are quite a few modern Pullmans in use, the average car is rather old and quite heavy. When considered in ratio to normal passenger load, there is a huge amount of dead weight to be lugged around.

Compared to the radically improved cars—more economical in operation—that Pullman and others know how to build, the present sleeping-car inventory will be badly obsolete by the end of the war. The railroads will stress this point in arguing the value of Pullman cars now in use.

STATISTICAL SUMMARY OF PULLMAN, INC.

Capital Stock, outstanding Dec. 31, 1943, 3,242,897 shares, no par value

EARNINGS PER SHARE	
1927-1930 annual average	\$4.53
1931-1933 annual average	def.0.77
1934-1939 annual average	1.20
1940-1943 annual average	2.75
1943	2.85
DIVIDENDS PER SHARE	
1927-1930 annual average	\$3.25
1931-1933 annual average	3.25
1934-1939 annual average	2.04
1940-1943 annual average	2.50
1943	3.00
BALANCE SHEET ITEMS—DEC. 31, 1943	
Cash assets	\$74,553,250
Cash assets per share	22.98
Net current assets	99,760,606
Net current assets per share	30.76
Book value per share	60.32
Total net assets available for stock, per sh.	70.44
PRICES	
1929 high for the stock	99¼
1932 low	10½
Range, 1933-1939	72⅛-18
Range, 1940-1943	40⅛-16⅞
Range, 1944 to date	45 -37½

When all is said and done, enforcement of the separation decree would seem to put both Pullman, Inc., and the railroads on something of a spot. Somebody will have to maintain the service. If not Pullman, it will have to be a rail pool. Yet the importance of Pullman service differs materially among the roads; and not the least of the complications will be the matter of getting agreement as to just what carriers will participate in the pool as owners and on the division of their investment therein.

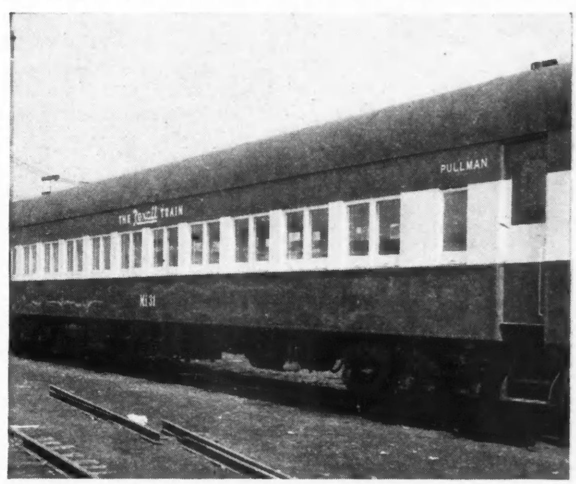
Pullman stock recently has been quite strong, within a fraction of the year's high of 45, which was nearly 5 points above the 1943 high. Evidently, thoughts of the asset values to be realized from the separation—and the distribution of some sizable portion thereof as a special dividend to shareholders—have whetted interest. The book values are easy enough to cite. But beyond that the whole matter is highly conjectural.

We don't know what actual price may be received for whichever property is sold. We don't know whether the price will be paid in a cash lump sum or spread over a period of years. We don't know whether, subject to court approval, part of the price might be paid in some special security, carrying no voting privilege. Finally, even if a reasonably satisfactory price is obtained in lump sum cash, the question of how much of it Pullman, Inc., might distribute to shareholders is sheer guesswork. It would appear that the needs of the manufacturing end for liquid working capital are much greater than those of the car-operating branch; moreover, the volume fluctuations from year to year in the manufacturing end have always been much greater than in the other. For both reasons, the management conceivably might wish to retain in the business a major part of the price received. It is known to have aggressive plans for new product development.

So far as book values are concerned, there are three types of assets to be considered. First, there are the net current assets of Pullman, Inc., which as of the end of 1943 amounted to \$99,760,000 and equalled approximately \$31 a share of outstanding stock. Second, the carrier properties—chiefly sleeping cars—are carried on the balance sheet at net depreciated figure of \$66,396,000. This is equal to approximately \$21 a share of Pullman stock. As there are 7,121 cars owned, this sum represents approximately \$9,300 per car, whereas their cost, new, is believed to have averaged somewhere around \$35,000 each. Third, the manufacturing properties are carried at net depreciated figure of \$31,474,000, equal to about \$10 a share. Pullman has certain lesser assets, including post-war refund of excess profits taxes, footing up to \$3.38 a share. Allowing for liabilities, chiefly in the form of reserves and deferred credits, amounting to \$10.11 a share, the net book value is \$55.27 a share, against current market price of around \$44.50 for the stock.

This is not exceptional. Net book values of many stocks exceed market price—in some instances by a wider margin than in the case of Pullman. The reason is, of course, that average per share earning power—or earnings potential—is rightly given more investment weight than book assets.

The company earned \$2.85 a share in 1943 and paid \$3 dividend. Pre-war earnings of the four years 1936-1939 averaged \$1.63 a share, while dividend averaged a fraction under \$1.66. Though the present dividend yield is better than 6.5 per cent, the stock is not cheap on *earnings* at ratio of more than 15 times 1943 net per share and over 27 times average 1936-1939 net per share. This is especially true when we note that part of the business has for years been under Government regulation, while



The "sleeper" familiar to all America

the manufacturing branch has been an in-and-out earner: for instance, \$2.80 per share of Pullman in 1937 but only 7 cents per share in 1938.

In part, the liquid financial strength of Pullman—and its ability often to pay dividends in excess of reported earnings—is due to the fact that for some time the sleeping-car business has been, in *(Please turn to page 266)*

Dairy Stocks For Investment

BY GEORGE W. MATHIS

THE dairy industry has benefited by larger production and consumer demand during the war, but higher prices paid to farmers, together with increased taxes, have held the gain in share earnings to generally moderate proportions.

The price of milk for fluid use has increased about 44% since July, 1940, while milk for manufacture has more than doubled in price; the dairy products index of the U. S. Bureau of Labor Statistics has advanced from the 1939 low of 90.5 to a recent figure of 133.6 (which, however, is slightly lower than a year ago).

Gross sales of Borden and National Dairy (combined) in 1943 aggregated $952 millions compared with $530 millions in 1939—a jump of 80%. While this is not quite as good as the record of the meat packers, which about doubled their 1939 gross last year, it is a fine showing for an industry which is normally both stable and highly competitive.

Despite the growing labor shortage on the farms, the subsidies paid to dairy farmers since last October have checked the decline in fluid milk production. This year's production may therefore be sustained around the 1943 level of 118 billion pounds. The distribution of the raw material (milk) among its different products will probably change this year, due to present price relationships and other factors. The output of creamery butter is expected to decline about 4%, while cheese may gain 10% and evaporated milk (useful overseas) should increase about 7%. In round amounts, evaporated milk is now being produced in about twice the amount of weight in butter, while the latter weighs nearly twice as much as the national cheese output.

The consumption of dairy products is a good index of our national prosperity. In 1924, about 92 billion pounds were consumed, but in 1929 this had jumped to nearly 105 billion. Due to the depression, consumption gradually declined to 102 billions in 1936, following which it climbed to 111 billions in 1942. While production has jumped to 119 billions, this is still insufficient to provide for the armed forces and lend-lease, hence civilian consumption in 1943 dipped slightly below 100 billions. Restaurant eaters have had to accustom themselves to one piece of butter, or no butter at all for lunch; cheese has been difficult to get at times, and occasionally the corner drug store has run out of ice cream.

Because of the competition normally prevailing in the dairy and meat packing industries (which over-lap on some products), the leading dairy companies have gone in for distribution of related food products such as poultry, eggs, flour, salad dressings, fruits, mince meat and dog food. Thus the large dairy producers are following the lead of the packers, who have always sought to protect themselves from sharp fluctuations in volume and prices of their main products by diversifying into other fields.

The dairy companies have to some extent broadened into non-regulated fields—the dairy industry proper, because of its dealing in a primary food necessity, is subject to considerable regulation of prices and practices by various Government agencies. The dairies have also had to cope with farmers' "strikes" and increasing unionization of employees, together with increased cost of sterilization and other safeguards set up by health authorities.

Summarizing, the dairy industry has benefitted greatly by increased consumption of its products resulting from the war, and some of these gains may be retained during the post-war period when we will be participating for a time in the feeding of a sizeable European population. While price ceilings and taxes will continue to limit net profits, the dairy stocks appear to be in a strong fundamental position for the next few years.

STATISTICS ON THE DAIRY COMPANIES

	Nat. Dairy	Borden	Beatrice	Carnation	Pet Milk
Recent Price	21	32	32	42	26
1944 Range	22-20	32-29	35-31	49-41	27-23
Dividend Rate	$1.00	$1.60	$2.05	$2.00	$1.00
Yield	4.8%	5.0%	6.4%	4.8%	3.9%
1943 Earnings	$2.52	$2.17	$3.52*	$3.65	$3.05
Price—Earnings Ratio	8.4	14.8	9.1	11.5	8.5

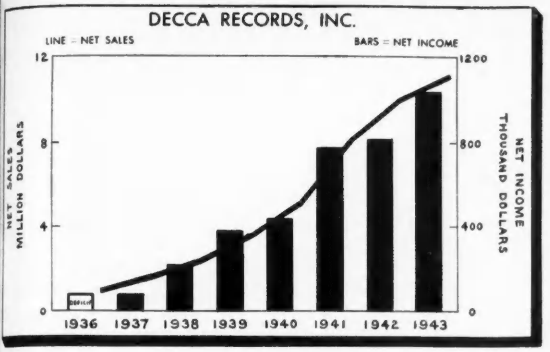
*Twelve months ended November 30, 1943.

National Dairy is the leader in the industry, with huge sales of cheese and ice cream. The company's operations are largely east of the Mississippi and while it has investments in a number of foreign countries these amount to only about 2% of the total. In 1943 the company spent 62% of its receipts for milk and other raw materials, 15% for labor and 6% for taxes; only about 2¼% was carried to net income after allowing for contingency reserve.

Despite the capital leverage in the company's setup, the earnings, dividends and price range have been fairly steady as compared with most industrials. Currently the stock is about midway of the 1944 two-point range, and yields nearly 5% based on the $1 dividend rate of 1943-44. Net working capital has doubled in recent years and funded debt is being reduced.

Borden, the No. 2 company in size, has been somewhat less aggressive in expansion. (National Dairy ranked below Borden in sales in 1929, but now exceeds it by over 50%.) The company operates on a national basis, though milk operations are mostly in the east and middle west. Foreign interests are somewhat larger than National's, contributing 10% or more of earnings. The company's debt is considerably (*Please turn to page 26*

Six Low-Priced Opportunities



USINESS: Manufacture and distribution of phonograph records, and f electrical transcriptions. Also markets phonographs made for it by thers. Maintains 33 distributing offices, serving thousands of re- ailers. Foreign business important, especially with Latin-America. ompany has agreement on foreign sales territory, and mutual licensing rrangement, with Decca Record Company Ltd., of England; and is icensed to make sound recordings under patents of American Tele- hone and Western Electric.

UTLOOK: In an old field, progress has been remarkable since the ompany was formed in 1934 chiefly on initiative of the British Decca ecord Company, which itself dates only from 1929, and of E. R. Lewis, large stockholder therein. This is a type of "show business." Great ales expansion—from less than $500,000 in 1935 to over $11,000,000 st year—is due partly to low-price policy but more to the ingenuity d imagination of the management in selecting, and often originating, opular material for recordings. Though at record high, volume would e larger but for inadequate labor and limited supply of shellac. Post- ar prospect appears very promising. Primarily "merchandisers of alent," the company is prepared to use whatever recording mediums— iscs, tape or wire—give best results.

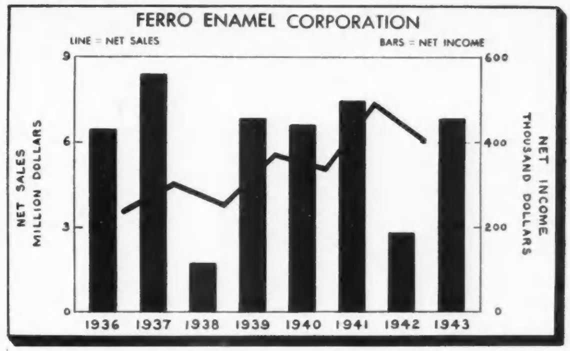
OMMENT: From small deficit in first operating year, net income creased each year to record-high $1,036,361 in period ended last ugust 31, equal to $2.67 per share on outstanding 388,325 shares, hich represent sole capitalization. First quarter 1944 net was 64 nts a share, against 53 cents a year ago, despite heavy tax liability. evelopment of substantially larger earnings appears to hinge mainly post-war tax reduction. Financial position seems adequate, with net orking capital of $1,440,185.

ARKET ACTION: Because then little known, stock sold as low as ⅞ in 1942 although net was over $2 a share and dividend $1.15. Rose 24⅜ in 1943, since when has not reacted under 21. New high is year: 26⅞; recent price 24¾. Yield: 5.4%.

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	0.100	1.858	+1.758
Marketable securities	—	0.206	+0.206
Receivables, net	0.497	1.303	+0.806
Inventories, net	0.497	0.655	+0.158
Other current assets	0.003	—	—0.003
TOTAL CURRENT ASSETS	1.097	4.022	+2.925
Plant and equipment	0.353	1.122	+0.769
Less depreciation	0.105	0.621	+0.516
Net property	0.248	0.500	+0.252
Other assets	0.154	0.250	+0.096
TOTAL ASSETS	1.499	4.772	+3.273
LIABILITIES			
Notes payable	—	—	—
Accts. payable and accruals	0.463	1.296	+0.833
Reserves for taxes	0.109	1.281	+1.172
Other current liabilities	—	0.004	+0.004
TOTAL CURRENT LIABILITIES	0.572	2.581	+2.009
Deferred liabs	—	—	—
Short term debt	—	—	—
Long term debt	—	—	—
Reserves	—	—	—
Capital	0.375	0.388	+0.013
Surplus	0.552	1.803	+1.251
TOTAL LIABILITIES	1.499	4.772	+3.273
WORKING CAPITAL	0.525	1.441	+0.916
Current Ratio	1.9	1.5	—0.4

Thumbnail Stock Appraisal



BUSINESS: This company manufactures porcelain enamels, color oxides, glazes, paints, paint driers, special refractories, etc. It has wholly-owned subsidiaries operating in Canada, England, Argentina, Brazil and Australia. Some operations are under important patents. Main plant is at Cleveland, with two others also in Ohio, one in California, and one in Alabama. Company was incorporated in 1919; has had substantial long-term growth through both internal expansion and acquisition of complementary enterprises.

OUTLOOK: Initial effect of war was to shift character of operations, increase sales but lower profit (for 1942) to lowest since depression year 1938. With transition to war-work completed, earnings recovered last year to $1.97 a share, fairly close to pre-war average but under peace-time best of $3.08 in 1936. Company has aggressive post-war plans, partly growing out of war-time research and diversification, especially in chemicals. One development is a porcelain enamel reported as durable as stainless steel. Some peace-time business is already reviving, notably that incident to the resumed production of stoves. Company would benefit quickly from more general renewal of civilian durable goods production.

COMMENT: The president of this concern recently stated that the outlook is "the brightest in our history." The company appears to qualify as a "growth situation," though full potentials must await peace and lower taxes. Small capitalization (only 233,056 shares) provides substantial leverage in earnings. For the first quarter, net was 46 cents a share against 27 cents a year ago.

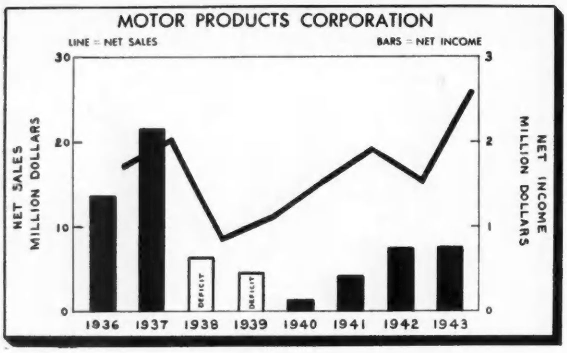
MARKET ACTION: Range this year has been: High, 21, which is the level as this is written; low, 17—against 1943 high of 19½ and low of 12⅞. The stock sold as high as 47¼ in 1937. Though current dividend return is low, longer-term appreciation and dividend possibilities are regarded much above average.

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	0.550	1.010	+0.460
Marketable securities	—	0.310	+0.310
Receivables, net	0.995	1.188	+0.193
Inventories, net	0.922	1.122	+0.200
Other current assets	—	—	—
TOTAL CURRENT ASSETS	2.467	3.630	+1.163
Plant and equipment	1.361	2.255	+0.894
Less depreciation	0.402	0.809	+0.407
Net property	0.959	1.446	+0.487
Other assets	0.352	0.525	+0.173
TOTAL ASSETS	3.778	5.601	+1.823
LIABILITIES			
Notes payable	0.056	0.167	+0.111
Accts. payable and accruals	0.475	0.582	+0.107
Reserves for taxes	0.075	0.302	+0.227
Other current liabilities	0.015	0.095	+0.080
TOTAL CURRENT LIABILITIES	0.621	1.146	+0.525
Deferred liabs	0.025	0.008	—0.017
Short term debt	—	—	—
Long term debt	—	0.948	+0.948
Reserves	0.095	0.014	—0.081
Capital	0.194	0.232	+0.038
Surplus	2.843	3.253	+0.410
TOTAL LIABILITIES	3.778	5.601	+1.823
WORKING CAPITAL	1.846	2.484	+0.638
Current Ratio	3.9	3.1	—0.8

Thumbnail Stock Appraisal

Six Low-Priced Opportunities



BUSINESS: Company is now almost entirely in war work. Normal business is manufacture of various parts and decorative trim for automobiles, including windshield frames, instrument panels, ventilating equipment and bumper guards. Other activities include nickel and chromium plating. Seeking diversification, the company developed a very promising line of Deepfreeze equipment for the freezing and storage of foods. The limited output of the latter is for the present confined to essential uses. Main plant is at Detroit, with the Deepfreeze division at North Chicago.

OUTLOOK: The type of business is both highly competitive and subject to sharp cyclical variations in volume and profits. The stock, therefore, is speculative. However, in years of active automobile production the company has always had very substantial earning power and paid proportionately good dividends. It is believed that peace will bring an extended period of high motor production and important growth of demand for food freezer cabinets. Spread over a lengthy period, much of this potential business probably will have the benefit of post-war tax reduction. Company's own conversion problem is not formidable, and it can expand Deepfreeze operations promptly while awaiting progressive reconversion of its automotive customers.

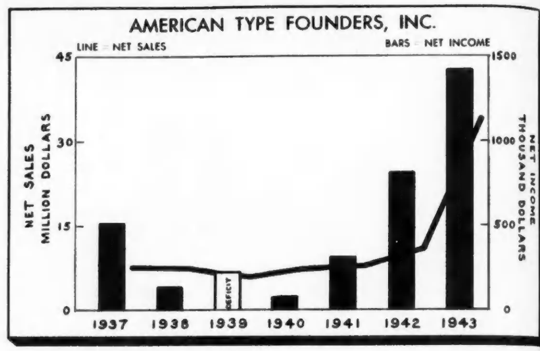
COMMENT: Due to low unit profit margin on war work, present earning power (which appears to be at annual rate around $2.65 a share, judged by $2 reported for nine months ended March 31) is well under 1935-1937 peace-time average of $3.92. Peak pre-war net was $5.49 in 1937. There is no debt and sole capitalization is 390,254 common shares. A $1 dividend is being paid, currently yielding over 5.6%. Normally good, working capital ratio will be tight until war work ends.

MARKET ACTION: Stock normally has wider moves than the average. Present price 17¾. Range, 1944: 18½-15½; 1943: 17-9⅛. Pre-war high, on present share capitalization: 43½ in 1936.

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	0.658	2.707	+2.049
Marketable securities	1.117	5.189	+4.072
Receivables, net	0.919	4.036	+3.117
Inventories, net	1.254	5.212	+3.958
Other current assets	0.003	0.011	+0.008
TOTAL CURRENT ASSETS	3.951	17.155	+13.204
Plant and equipment	4.410	4.896	+0.486
Less depreciation	2.004	2.462	+0.458
Net property	2.406	2.434	+0.028
Other assets	0.477	0.726	+0.249
TOTAL ASSETS	6.834	20.315	+13.481
LIABILITIES			
Notes payable	—	4.000	+4.000
Accts. payable and accruals	0.580	2.613	+2.033
Reserves for taxes	0.286	2.746	+2.460
Renegotiation Refund Reserve	—	3.365	+3.365
TOTAL CURRENT LIABILITIES	0.866	12.724	+11.858
Deferred liabs.	—	—	—
Short term debt	—	—	—
Long term debt	—	—	—
Reserves	0.497	0.400	—0.097
Capital	3.913	3.902	—0.011
Surplus	1.558	3.289	+1.731
TOTAL LIABILITIES	6.834	20.315	+13.481
WORKING CAPITAL	3.085	4.431	+1.346
Current Ratio	4.5	1.3	—3.2

Thumbnail Stock Appraisal



BUSINESS: This company is now mainly engaged in war work, wi sales (nearly $34 millon last year) swollen far above pre-war averag Normal business, now severely restricted, is production and marketing o printng types; presses, including Kelly automatics, Webendorfer lett presses and offset presses; and distribution of a complete line o printing supplies (except paper) manufactured by others. The latt represents about half of peace-time dollar volume, presses about 2 per cent, type the remaining 25 per cent. However, type productio is understood to be the most profitable activity.

OUTLOOK: Post-war sales volume necessarily will be lower than no but should be substantially above the pre-war average since abnorm war-time depreciation and obsolescence of printing equipment—most now operating under high pressure—may be expected to create sizab demand throughout the trade. As a result of experience in war wor the management is actively exploring avenues of post-war diversifica tion, in connection with which its corporate charter was amended la year. The reduced working capital ratio, shown on balance shee below, is temporary, due to heavy war work.

COMMENT: The stock is speculative; and war-time earnings ($1.9 a share last year against $1.42 in 1942) are greater than best pre-wa showing which, on the basis of present shares outstanding, was ap proximately 90 cents a share in 1937. This accounts for present co servative price-earnings ratio, the stock being valued at not muc more than 5 times 1943 net per share. Capitalization is $1,430,00 long-term debt and 568,101 common shares. Dividend is 50 cent Longer-term potential for speculative application is regarded we above average.

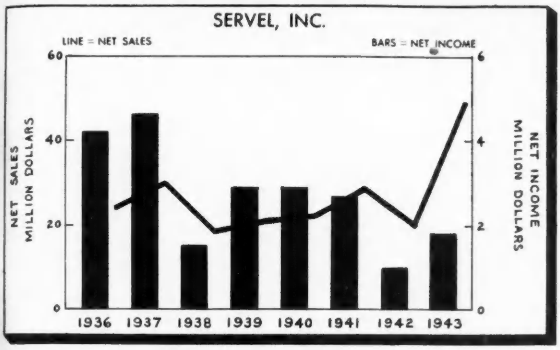
MARKET ACTION: On the broader moves, is more volatile than th average. Range this year: 11¼-8⅞; 1943, 12⅜-6¾. Recent pric 10⅝. Pre-war high, 20⅛ in 1937.

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	0.628	9.046	+8.418
Marketable securities	—	—	—
Receivables, net	3.379	7.554	+4.175
Inventories, net	2.657	7.319	+4.662
U. S. Tax Notes	—	1.500	+1.500
TOTAL CURRENT ASSETS	6.664	25.419	+18.755
Plant and equipment	3.508	4.486	+0.978
Less depreciation	0.984	1.860	+0.876
Net property	2.524	2.626	+0.102
Other assets	0.596	0.590	—0.006
TOTAL ASSETS	9.784	28.635	+18.851
LIABILITIES			
Notes payable	—	8.116	+8.116
Accts. payable and accruals	0.512	3.381	+2.869
Reserves for taxes	0.005	1.342	+1.337
Other current liabilities	—	5.232	+5.232
TOTAL CURRENT LIABILITIES	0.517	18.071	+17.554
Deferred liabs.	—	0.138	+0.138
Short term debt	—	0.021	+0.021
Long term debt	1.430	—	—1.430
Reserves	0.075	0.600	+0.525
Capital	5.681	5.681	—
Surplus	2.081	4.124	+2.043
TOTAL LIABILITIES	9.784	28.635	+18.851
WORKING CAPITAL	6.147	7.348	+1.201
Current Ratio	13.1	1.4	—11.7

Thumbnail Stock Appraisal

Six Low-Priced Opportunities



BUSINESS: The company has long been a leading manufacturer of refrigerators, air conditioning equipment, commercial ice machinery and water heaters. It is best known for the Electrolux refrigerator, operating on gas or kerosene fuel, and one of the most strongly established models in the trade. Great bulk of operations now are in war work as sub-contractor, and only in past year did dollar volume of this business go ahead of former normal volume. Over past six years the company has done intensive research in development of all-year air-conditioning apparatus for home use, and it plans to exploit this market aggressively as soon as peace conditions permit.

OUTLOOK: It is believed that in the post-war years there will be an extended period of record-breaking demand for refrigerators. This is more than a matter of "catching up" with deferred needs, which might be filled fairly quickly. The greatest potential for refrigerator makers is in (1) a long period of active residential construction, which is widely forecast; and in (2) a consumer mass income much higher than before the war—to which Government policy is dedicated—which would make refrigerators feasible purchases for millions of families unable to afford them before. There is a large market awaiting practical home air-conditioning apparatus that is low enough in initial and operating cost. In most localities gas-fired equipment has a competitive advantage in superior repair service by utilities.

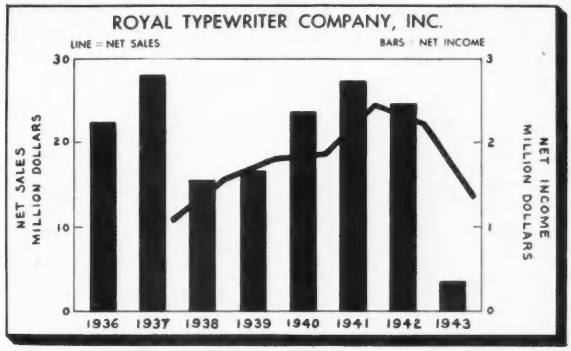
COMMENT: This company has paid dividends of $1 or more a year for the past eight years. Earnings in war work ($1.06 per share for the most recent fiscal year) are below pre-war average. Record post-war volume, coupled with lower taxes, should produce profits above 1936-1937 levels of $2.35 to $2.59. Financial position is strong, with no obligations ahead of 1,726,926 outstanding common shares.

MARKET ACTION: Volatility greater than the average only on major moves. Recent price, 17⅞. 1944 range, 19⅛-16¼; 1943, 18⅜-10⅛. Pre-war high, 34 in 1937.

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	9.531	2.776	—6.755
Marketable securities	—	0.075	+0.075
Receivables, net	0.848	9.769	+8.921
Inventories, net	2.333	4.017	+1.684
Other current assets	—	—	—
TOTAL CURRENT ASSETS	12.712	16.637	+3.925
Plant and equipment	7.620	8.270	+0.650
Less depreciation	3.264	4.513	+1.249
Net property	4.356	3.757	—0.599
Other assets	1.071	0.526	—0.545
TOTAL ASSETS	18.139	20.920	+2.781
LIABILITIES			
Notes payable	—	—	—
Accts. payable and accruals	1.553	2.939	+1.386
Reserves for taxes	0.984	0.818	—0.166
Other current liabilities	0.210	0.557	+0.347
TOTAL CURRENT LIABILITIES	2.747	4.314	+1.567
Deferred liabs	—	—	—
Short term debt	—	—	—
Long term debt	—	—	—
Reserves	1.774	2.444	+0.670
Capital	2.475	1.727	—0.748
Surplus	11.143	12.435	+1.292
TOTAL LIABILITIES	18.139	20.920	+2.781
WORKING CAPITAL	9.965	12.323	+2.358
Current Ratio	4.6	3.8	—0.8

Thumbnail Stock Appraisal



BUSINESS: Due to superiority of products, this company became the largest manufacturer of typewriters in the world, maintaining excellent competitive position in both standard and portable machines. It also makes ribbons, carbon paper and other office machine supplies sold under name Roytype. Plants are at Hartford, Conn., and Montreal. With war-time typewriter output restricted severely, company turned to war work: mainly manufacture of aircraft parts. Naturally, this is not as profitable as the normal business, in which exports also have played an important role: amounting to some 20% of pre-war sales.

OUTLOOK: There has been some easing on civilian typewriter restrictions, and it is believed the industry will be among the earliest to be allowed full production after defeat of Germany. Reconversion should involve no great difficulties for Royal. Given active general business conditions and some degree of tax reduction, mere resumption of normal typewriter demand would mean good volume and profits for this company, but in addition a substantial deferred demand is expected for both standard machines and portables. It is anticipated that for quite a time, export demand will be larger than pre-war.

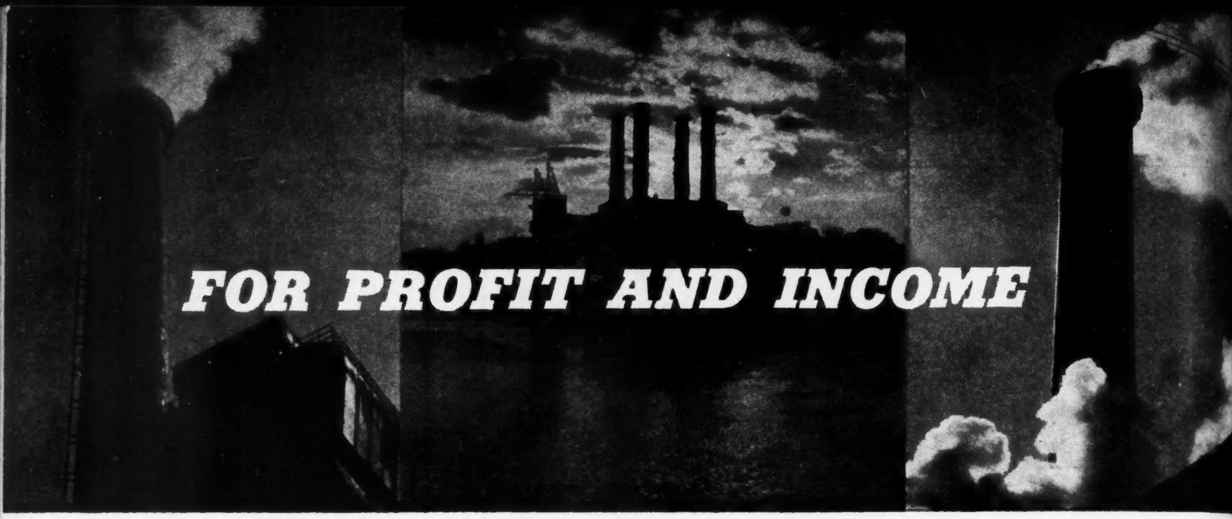
COMMENT: Listed on the Stock Exchange late last year, stock was split 4 for 1 by a 300% stock dividend. There is no debt, and financial position is exceptionally strong and liquid. Capitalization is 37,717 preferred shares and 1,074,472 common. Earnings for six months ended Jan. 31 were 51 cents, a share against 16 cents a year ago, but still below normal. The stock is presently priced only 10 times average earnings of the three fiscal years ended July 31, 1942, when output was normal. That is unusually low for a high quality "peace" stock with pronounced growth potentials.

MARKET ACTION: Recent price 20. Range, 1944, 20⅛-17¾; 1943, adjusted to present shares: 21¼-12⅜. 1937 high, about 28, which exceeded 1929 high by nearly 40% in reflection of exceptional long-term growth

COMPARATIVE BALANCE SHEET ITEMS
(in millions of $)

	1939	1943	Change
ASSETS			
Cash	0.955	2.253	+1.298
Marketable securities	—	0.976	+0.976
Receivables, net	4.141	2.325	—1.816
Inventories, net	3.807	5.098	+1.291
U. S. Tax Notes	—	0.604	+0.604
TOTAL CURRENT ASSETS	8.903	11.256	+2.353
Plant and equipment	5.335	5.806	+0.471
Less depreciation	3.084	3.593	+0.509
Net property	2.251	2.213	—0.038
Other assets	0.562	1.089	+0.527
TOTAL ASSETS	11.716	14.558	+2.842
LIABILITIES			
Notes payable	—	—	—
Accts. payable and accruals	0.480	0.817	+0.337
Reserves for taxes	0.571	0.415	—0.156
Other current liabilities	—	0.132	+0.132
TOTAL CURRENT LIABILITIES	1.051	1.364	+0.313
Deferred liabs	—	—	—
Short term debt	—	—	—
Long term debt	—	—	—
Reserves	—	—	—
Capital	4.038	4.038	—
Surplus	6.627	9.156	+2.529
TOTAL LIABILITIES	11.716	14.558	+2.842
WORKING CAPITAL	7.852	9.892	+2.040
Current Ratio	8.5	8.3	—0.2

Thumbnail Stock Appraisal



FOR PROFIT AND INCOME

Group Variations

Out of 42 stock groups for which the Magazine of Wall Street keeps weekly indexes, 14 groups recently made new highs for the year or longer; 14 others remained under previous 1944 highs by margins ranging from broad to fairly sizable; the remaining 14 were "flirting" with the year's highs that had generally been made in March. Those in the first two classes are listed in the accompanying table on this page. All of the strong groups are made up of "peace stocks," mainly identified with consumer goods. Many, though not all, of the laggard—or markedly less strong—groups are identified with abnormal war activity or capital goods. The reasons, and especially the psychological basis, for this divergence are obvious—perhaps a bit too obvious. When most everybody wants the same article in the stock market—in this case, "peace stocks"—the purchase is never an outstanding bargain from a longer term point of view.

Worm Turns

In at least one group not so long ago classed as "war stocks"—machine tools — three equities have recently made new highs for the year. They are Black & Decker, National Acme and Ex-Cell-O. The latter is up over 50 per cent from the year's low and is now higher than in the 1936-1937 bull market. Whether and when the most conspicuous "war group" laggards (aircrafts, coppers and heavy steels) will follow machine tools out of the dog house remains to be seen. Some professional analysts are tempted to the bull side in these, especially steels, but most of them cautiously wait for signs of action. In other words, let the other fellow take the plunge.

Dividends

Total dividends paid by corporations so far this year are running a trifle more than 2 per cent larger than a year ago, but substantially under the levels of 1942 and 1941. With production past its peak, corporate cash needs are a bit less urgent but still very far from easy. Moreover, managements are mindful —perhaps overly so—of coming war contract terminations, reconversion problems and the period of economic readjustment during which volume and profits will be considerably less assured than now. Therefore, no important improvement in dividends is likely for the rest of the year. Stockholders probably will have to wait for peace and the post-conversion business upswing to see dividends again reach a more normal ratio to earnings.

Stock Groups Recently Making New Highs for the Year or Longer

Farm Equip.	Drugs & Toilet
Automobiles	Furniture
Auto Access.	Liquors
Building	Paper
Containers	Sugars
Dairy Products	Tires
Dept. Stores	Tobaccos

Stock Groups Lagging Thus Far in Recent Rally

Aircraft	Mail Order
Air Lines	Metals Mining
Chemicals	Utilities
Copper & Brass	Rail Equip.
Finance Co's.	Shipbuilding
Food Brands	Steel & Iron
Gold Mining	Textiles

Speculation

Though the recent market rally has in the main been founded on investment demand, in one spot we see some pure speculation. Indeed, gambling would be a more accurate word—for speculation, as properly defined, involves calculated judgment of probabilities and possibilities. We refer to the Mississippi oil boom in non-oil stocks. The shares of various industrial and rail companies that own land in Mississippi have gone up substantially. Yet whether there is oil under their lands, and how much it may profit them, is literally anybody's guess. It will not be surprising to see wide breaks in some of these "dream stocks" one of these days, due to vulnerable technical condition.

Motor Industry Profits

Average net profits of automotive companies are running about 4.1 per cent per dollar of sales, against 8.3 per cent in the peace year 1940. However, sales are so large that total net income of the majority of companies compares quite well with 1940 and the pre-war average. The biggest war-time winners, of course, are the "independent" automobile makers who had poor peace-time earnings. At the other end are General Motors and Chrysler, with profits well over one-third less than in 1940. In the middle are the auto accessories: some a bit over, some a bit under, best pre-war earnings.

Keeping Abreast of Industrial and Company Changes

Cutbacks Are Coming

During the past six months the st landing-craft program has exeded previous production estiates by 70 percent., says Navy Secretary Forrestal. Conceding that requirements for invasion of Europe have been met, the Secretary says, cautiously, it "probably will not be necessary to maintain the building tempo at the same rate." In other words, get ready for a big cut-back in what a few months ago was one of the most urgent, top-priority segments of war production. Output of shorter range fighter planes has been cut deeply. Medium bombers are due for the pruning knife. Yet the invasion hasn't started as we write. At present, the most urgent production drive is in two sectors: the super-bomber (Boeing P29) and the heaviest artillery (together with shells and explosives therefor). Significantly, these are knock-'em-down attack weapons. And as we knock 'em down—or even secure the position for so doing—you can expect the cutbacks to get rolling, really rolling.

Bug Killer

Only by unremitting war against them are the insect pests kept from "inheriting the earth". As it is, they take an annual toll of billions of dollars worth of farm produce—and thousands of lives. But now comes a magic remedy, a wonder-working chemical—with a technical name so long and tongue-twisting that we won't attempt to type it—known for short as "D. D. T." It was developed by the Swiss Geigy Company but is being made by several large American companies. It is highly effective against typhus lice, mosquito larvae and many other insects. Sprayed on walls, it will keep flies away for three months. It is predicted that it will be a nearly perfect "cure" for such agricultural enemies as the boll weevil, European corn borer and red scale that affects citrus fruit trees. Thus, science marches on.

Employment Notes

The population is still growing, an so is the producing efficiency of men and machines. All of which makes the post-war employment problem look even more formidable the closer we come to it. And unless it is solved there must be some toning down of some of the more roseate projections made for the "catching up" consumer goods boom. The Department of Commerce estimates that output per factory worker increases at a rate of 2½ per cent a year, compounded. The technical "know-how" gained in war work is likely to boost this rate over the longer term. By the time the post-war upswing gets going, not improbably 85 or so factory employees can do work that required 100 in pre-war 1939. Bearing on this matter, employment in war industries has been dropping at a rate of 100,000 per month since last October—yet over-all war production is maintained very close to peak.

COMPANIES REPORTING HIGHER EARNINGS
(For 1st 3 mos. except where otherwise indicated)

	1944	1943
Anaconda Wire & C.	$0.77	$0.67
Sweets Co.	.88	.50
Gaylord Cont.	.38	.32
Pac. West. Oil	.14	.06
Reo Motors	.88	.76
Mid-Cont.Pete.	.77	.61
Mullins Mfg.	.43	.07
Pullman	.70	.62
Mission Corp.	.18	.13
Brewing Corp. (a)	2.92	1.52
Food Machinery (a)	3.47	1.62
Hayes Industries (b)	2.45	2.42
Columbia Pictures (c)	3.64	2.39
Allied Stores (d)	3.17	2.50
Glidde (e)	.72	.62
Servel (e)	.57	.38
Southern Rwy. (f)	4.17	4.03
Bendix Aviation (a)	4.07	3.87

(a) 6 mos. to March 31 (b) 9 mos. April 30 (c) 39 weeks March 25 (d) Yr. to Jan. 31 (e)) 6 mos. April 30 (f) 4 mos. April 30.

Air Line Earnings

Air transport is dreaming big dreams of the future—not without foundation—and is being helped by periodic return of quite a few planes from military use. But for the present the earnings of the industry are taking something of a nosedive. For the first quarter of this year, net of the four largest lines dropped an aggregate of 38 percent from a year ago. United was down only slightly, American was off 47 per cent; Eastern 35 per cent; and TWA had a deficit. The factors responsible include 10 per cent lower passenger and express rates than prevailed in the first quarter last year, less favorable average operating weather, higher costs and less revenue in some cases from services rendered the Army. When the earnings trend will be reversed remains to be seen. Meanwhile, air line stocks remain "behind the market." For quite a time last year, it was the other way. They were ahead of the market, and all the rage.

Expansion

President Clinton H. Haskell says that Beatrice Creamery, which recently did some financing, intends to expand operations in areas it does not now serve especially in the South and the Pacific Coast States. Over the past six months or so, new plants were added in California, Tennessee, Indiana and Kansas; and very recently two were acquired in Alabama. Plans for diversifification include "other than dairy products". What that might be, time will tell.

Rail Income

On the basis of the first 72 railroad reports to the I C C of April operations, net operating income of Class 1 roads for the month is estimated at about $73 millions versus just under $110 millions a year ago, a drop of 28 per cent. Still, it is pretty handsome earning power compared to anything that was known before the war and since the 1920's.

Small Business

To say that small business has fared much less well than big business during the war is an over- simplified generalization. It is true of manufacturing, on the whole. It is not true of distribution and the service trades. Small merchants and service people are making more money than ever before. After the war the situation in many manufacturing lines will be more competitive than we have ever known; and small manufacturers will be hard put to get along. But that will be no skin off the noses of distributors. All that the merchants—small and big—need is the kind of high national income that Government policy is dedicated to. Assuming we have "consumer prosperity" distribution will do all right—though the profit margins hardly will be as rich as now. The customer will again be King. Now, judging by our own shopping experiences, he seems to be something of a nuisance to be tolerated, rather than welcomed into the stores.

Branching Out

Rheem Manufacturing Company has acquired a large stock interest in Platt-LePage Aircraft Company, of Eddystone, Pa., a maker of helicopters. Rheem itself,, a relative newcomer to the Stock Exchange, is a sizable company (nine plants) making numerous articles from steel: including drums, pails, tanks, barrels and a line of household and general utility products. Rheem will take part in the management of Platt-LePage. As Bethlehem Steel some time ago bought a one-third stock interest in Rheem, it has some voice in Rheem management. A big family, it seems, and still spawning.

Optimism

President Ward M. Canaday, of Willys-Overland Motors, points out that there are now less than 24,300-000 passenger cars in operation in this country; that these are being scrapped at the rate of about 3,450 a day; and that by the end of 1944 about 80 per cent of the cars in use will be over four years old. He opines that after the industry swings back into civilian production,, it will take output at the rate of some 6,000,000 cars a year for an extended period to restore the country's car "population" to the pre-war level.

Speaking of Diversification

Nu-Enamel Corporation, maker of paints and varnishes, got its charter amended some time ago to permit going into other lines of activity. Perhaps tired of paint and varnish, the management wanted nothing similar. It must have craved a real change. So it started looking for oil. It leased 800 acres in Montague County, Tex. Last week it announced the first producing well had been brought it—capable of producing up to 2,000 barrels a day. In contrast, oil companies seem to stick pretty well to their own knitting, with no yen to break into completely unrelated activities.

COMPANIES SHOWING LOWER EARNINGS
(For 1st 3 mos. except where otherwise indicated)

	1944	1943
Fruehauf Trailer	$0.77	$1.01
Butte Copper	.09	.11
Diamond Match	.41	.43
Hercules Motors	.84	.90
White Dental	.53	.62
Evans Products	.31	.46
Am. Cyanamid	.35	.48
Noranda Mines	1.04	1.23
Sharp & Dohme	.27	.32
Thermoid	.19	.46
East Air Lines	.30	.47
Am. Seating	.32	.49
Brown Shoe (a)	1.61	2.06
Radio-Keith-Or (b)	.48	.60
Packard	.07	.08
Holly Sugar (c)	.81	1.02
Burlington R. R. (d)	3.75	7.53
Ill. Central (d)	4.80	6.83
N. Y. Central (d)	1.80	3.29

(a) 6 mos. to April 30 (b) 13 weeks to April 1 (c) yr. to March 31 (d) 4 mos. to April 30.

Where Does It Come From?

On a nation-wide basis, retail store sales in the first four months of 1944 footed up to $20.9 billion or 9 per cent more than a year ago, according to Department of Commerce estimate. Nearly a third of the increment was price rise, but even so the gain in physical volume was around 6 per cent. Many types of merchandise can not be had and almost nothing seems to be in excessive supply—yet the stores go on doing record volume of business. Where does all the stuff come from? When we got into the war Washington officials assured us we would be down to bed-rock, 1932 volume in consumer goods in due time—long before June, 1944. What actually happened should not be very surprising on reflection. When there are profitable markets to be served, the ingenuity of merchants, and their suppliers, works wonders. If they can't sell this, they sell more of that. You might as well stop guessing when the shelves will be bare. It looks like they never will be.

High Flying

The rubber manufacturing stocks as a group recently reached the best price level seen since 1930. While the general market trend has been debatable since last July, the rubbers indubitably are in their own bull movement. How far it may go, no one can say. When and how much the stocks may react, no one can say. But one certainty of the situation is that the industry will come out of the war with a major and lasting gain in over-all position, a real improvement in investment status. That, in general, is what the market is reflecting. Assuming sales in a good peace year 10 per cent higher than 1941, the same operating profit margin as in 1941 and a 50 percent Federal tax rate, one financial analyst thinks that earnings potentials might be somewhere around the following: Goodrich $9.57 per share; Goodyear $8.85 a share; Firestone $7.29; U. S. Rubber $6.80. The last named was formerly the market leader of the group, often by a wide margin. Some people think it still is, or ought to be. Whether temporarily so or not—this column does not profess to know—Goodrich is now tops in market price; the other three are all clustered around 48 or just a fraction above it; and the not widely known Lee Rubber is only about 6 points behind these three. For the longer term, subject to reactions, we can say boldly that we like them all.

Motor Trucks

War Production Board tentatively scheduled, for fourth quarter and for first quarter of 1945, output of civilian-type motor trucks at a rate equal to about half that of a "normal period. It would be apportioned to makers on a quota basis. Start of limited passenger car production is believed not so far off.

Opportunities For Income and Apprecaition In Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

MARKET TRENDS: The bond market has continued to press steadily forward under leadership of railroad liens. Railroad and domestic corporate issues are at the best levels witnessed since the war commenced and since as far back as 1937. Recently there has been the largest total of new bond offerings since the latter part of March. Strong gains recently were shown by Panama 3¼'s and the 5's of 1962, both making new highs for the year. Antioquia issues were strong near the best prices registered this year, also Belgium 6's. New York Central issues moved up, despite decline in net income for the first quarter of 1944, of approximately $7,000,000. Demand was due to the further improvement of the company's financial position, the debt reduction during the year 1943 amounting to $25,770,184.

Demand for high grade bonds is clearly shown by the fact that of fourteen recent new bond issues, ten are now selling above the offering price while four are selling below same. Utah Power & Light 3¾'s 1968 show the largest gain, the bid price of 106½ being 5⅞ points above the original offering price, while the Louisiana Power & Light 3's 1974 at 102 bid, are one point below the offering price of 103.

SWITCHING ADVISED: Dixie Cup Preferred is now selling at 47, two points above the call price of 45, and Sharpe & Dohme Preferred at 75⅛ and callable at 75. We would caution our readers not to make new commitments in either of these issues. While both have conversion privileges, the latter has no tangible market value at present nor for the near time future. For those desiring to switch either one, we would suggest Columbia Pictures $2.75 Preferred selling around 42 and callable at $53 and Cooper Bessemer $3.00 Preferred selling at 41¾ and callable at $55, both of which give a better income yield and have possibilities of enhancement in market value. The former earned $24.03 on its Preferred in 1943 and the latter $16.04. Dividend requirements were well covered and prospects for both companies appear good.

HUDSON & MANHATTAN: In 1943, this company reacquired through open market purchases $3,760,000 of its outstanding bonds but has not made any purchases this year as funds which might have been used for that purpose have been set aside as a reserve to meet higher wage payments. However, when cash does accumulate, it is understood the company plans to resume its debt reduction policy. The Refunding 5's of 1957 are selling at 65, 9¼ points above the low price for 1944 while the Income 5's of 1957 are priced at 29, or 2 points above the low price this year. Interest charges were earned 1.71 times in 1943 vs. 1.55 in 1942. 2¼% was paid April 1st on the Income bonds and accumulated interest now amounts to 24¼%.

The U. S. Supreme Court has decided to review and determine issues in Company's case involving an order of Interstate Commerce Commission granting a fare increase to 11 tokens for $1.00 or a 10 cent cash fare from the present 8 cent fare, which was enjoined by the New Jersey District Court. Retention is advised.

CHICAGO & ALTON: The recent strength in the Company's Refunding 3's 1949 appears to reflect the growing belief that a plan of reorganization of this railroad will be ready for presentation before expiration of the extended deadline on July 1st. Company defaulted in payment of interest in April, 1941, and on November 20, 1942, paid coupon for October, 1940. Current price of 30¼ compares with a year low of 21½.

UNITED CIGAR-WHELAN: Stockholders have approved a recapitalization plan calling for the issuance of new $20 par value prior preferred stock in exchange for the present preferred at the rate of 5 shares of new stock, plus $2.00 for each old share. On May 1st, arrears on old preferred amounted to $25 a share and it is selling on the New York Curb Exchange around $88 per share

BALTIMORE & OHIO RAILROAD 4% NOTES: This company's president states that it expects to be in a financial position to meet these notes on the date of maturity, next Aug. 1, and that the RFC had agreed, subject to approval of the ICC to extend the $13,490,000 loan against these 4% notes held by the RFC.

REPUBLIC STEEL CORPORATION: The company is calling for redemption on June 17th, all its outstanding general mortgage 4½'s bonds, and on June 5th, all of its outstanding Gulf States Steel Company first mortgage 4½'s bonds. It has sold $50,000,000 first 3½'s S.F. Bonds due 1964 to a group of insurance companies and at the same time, has arranged serial bank loans, amounting to $24,500,000 due over a period of seven years.

THESE EXAMPLES OF BROAD ADVANCES IN PREFERRED STOCKS EMPHASIZE NEED FOR INCREASING CAUTION IN MAKING INVESTMENT SELECTIONS

		Recent Price	1942 High Price	Points Advanced
American Bank Note	$3.00 preferred	64	49	15
J. I. Case Co.	7.00 preferred	151	130	21
Gillette Safety Razor	5.00 preferred	82	61	21
Remington Rand	4.50 preferred	94	71½	22½
Radio Corp.	3.50 preferred	74	59⅜	14⅝
Republic Steel	6.00 prior preferred	97	86¾	10¼
Radio Keith Orpheum	6.00 conv. preferred	92	54¼	37¾
Spiegel, Inc.	4.50 preferred	60½	45½	15
Wilson & Co.	6.00 preferred	86	73¾	12¼
Ward Baking	7.00 preferred	60	29½	30½

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Laclede Gas & Light

"As the owner of a small amount of Laclede Gas & Light preferred and common shares, may I inquire as to your opinion for the recent wide price swings. One of the newspapers says that the preferred may be worth 150.—T.S.J., Patterson, N. Y.

The preferred shares of Laclede Gas & Light sold as low as 62 in the early part of this year compared with a high of 104 this week. The fluctuations were unusually extreme recently, amounting in one particular day to over 14 points. The plan of recapitalization as originally proposed contemplated that each share of preferred would receive 11 shares of new common and each share of old common would receive 1 share of the new common.

Estimates based on the assumption that no excess profits taxes would be applicable indicated earnings of 50 cents per share on the new common. Computed at 10 times earnings, the common would have a theoretical value of $5.00 per share and at 15 times earnings would have a value of $7.50 per share. On the basis of 11 shares, the preferred would have a value of only 55 on a ten times earnings basis and 92.50 on a 15 times earnings basis. On May 28th, the SEC announced it had given final approval to the plan and that preferred would receive 14 shares of new common instead of 11 shares as originally proposed. This evidently was the foundation for the boomlet, for as you will see the activity and rising prices came after the announcement of the change.

In the meantime the common also advanced, reaching as high as 13 or a theoretical value of 182 for the preferred shares. Even at the present price around 10 for the common, the preferred has a theoretical value of $140 per share. Enthusiasm seemed to recede when on May 31st the SEC announced that earnings for the new common would probably be not more than 40 cents per share. On this basis we would find a value of only 56 on a 10 times earnings basis and 84 on a 15 times earnings basis. We are therefore forced to conclude that for the present the price of the old common is much too high, for while the 40 cent earnings estimate may be conservative, it does not seem reasonable to assume they will improve to as much as 65 cents per share which would be necessary to give the new common a value of $10 per share on a 15 times earnings basis and make for a theoretical value of $140 for the preferred.

In announcing its estimate of earnings, the SEC did not state whether the estimate had taken into consideration the interest savings that would be accomplished with the elimination of the present bonded debt or whether it was based on the present interest costs. You may retain your holdings until trading commences in the new common shares on a "when issued" basis, for when trading commences on this basis you will have a definite basis on which to base any action you may desire to take.

Derby Oil & Refining $4 Pfd.

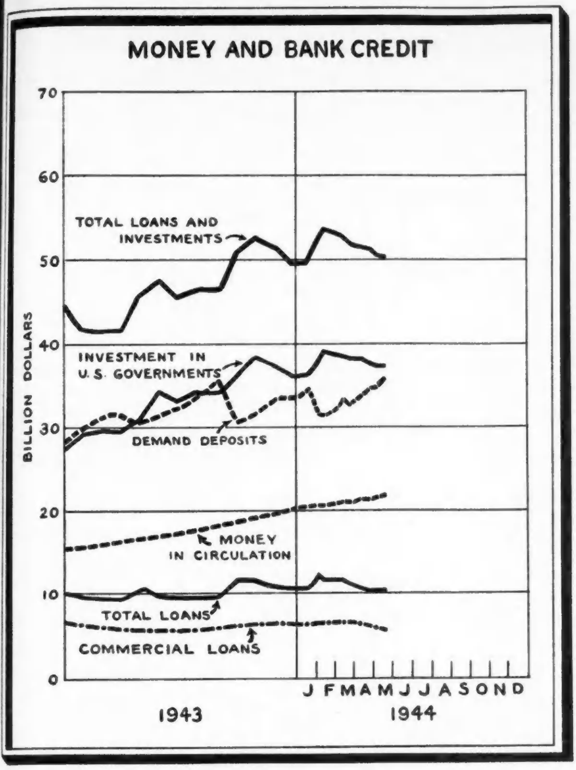
A story in the Wall Street Journal *the other day mentioned the possible calling of the entire preferred stock issue of Derby Oil & Refining Company. Will you be good enough to let me have the information on the above? If the stock were called at the next dividend date (not the current one) what would be the price, i.e. redemption price plus unpaid dividend accruals?—T.L.S., Cleveland, Ohio.*

While there has been no official announcement from the company that the Derby Oil & Refining $4.00 preferred stock would be redeemed, the financial condition of the company is excellent and would indicate that such a move could be undertaken. As of December 31, 1943 current assets amounted to $1,999,568, of which $1,099,211 was in cash. Current liabilities were $412,569, making the ratio of current assets to current liabilities 4½ to 1.

The 18,849 shares of the $4.00 cumulative convertible preferred stock outstanding are callable at $60 per share and dividends on ninety days' notice. Arrears, after allowing for the dividend of $6.00 per share paid June 1st, amount to $16.00 per share and the stock is currently selling at $74 on the New York Curb Exchange.

The convertible feature is that the

(*Please turn to page 269*)



CONCLUSIONS

MONEY AND CREDIT—There will be no post-war decline in bank deposits and little depreciation in value of bank holdings of Government securities. Interest rates to remain low.

TRADE—With sales so far this year up 6% department store earnings have been showing gratifying improvement.

INDUSTRY—Stock-piling and capital expenditures for war needs are nearing completion; but there will be no substantial cut in munitions output until success of the forthcoming invasion is assured.

COMMODITIES—Progressive scarcities in old crops drives commodity spot prices to new war-time highs and checks recession in futures. Livestock production next year may be lowest since 1941.

The Business Analyst

Per capita **business activity** rose fractionally during the past fortnight to a new all-time high under leadership of record demand for petroleum products to meet the fast expanding requirements of our own forces. There will be no general recession of consequence until success of the forthcoming invasion is assured. WPB director Nelson points out that, though $200 billion of prime **war contracts** have already been placed, $75 billion remain "to complete the 'must' program of the Army and Navy."

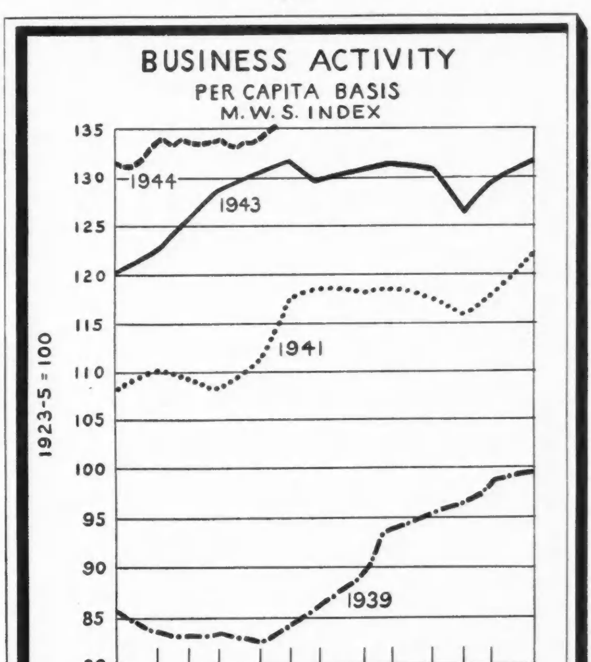
* * *

A marked **shift in war production to the Pacific coast** has resulted in somewhat lower **electric power** output; but this, along with a labor shortage induced slackening in steel operations, has been more than offset by gains in other components of our weekly business index. Analysis of the report on electric power output for a recent week discloses a drop of 9.4% below last year in the Rocky Mountain region and an increase of 19.8% in the Pacific area, compared with a gain of 6.8% for the nation as a whole.

* * *

Owing to higher taxes, wages and fuel costs, **electric utility earnings** this year will generally be somewhat smaller than in 1943. The drop in January was 8%. For the first quarter, taxes were up 7% and payrolls 8%, while

(Please turn to the following page)



Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	May 24	1.77	1.79	1.65	0.43
Cumulative from Mid-1940	May 24	190.4	188.6	100.6	14.3
FEDERAL GROSS DEBT—$b	May 24	186.0	185.7	135.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	May 24	36.0	34.9	30.1	24.3
Currency in Circulation	May 24	21.9	21.8	16.9	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	May 24	5.23	5.23	5.28	3.92
100 Other Cities—$b	May 24	7.36	7.33	7.20	5.57
INCOME PAYMENTS—$b (cd)	Mar.	12.80	12.10	11.40	8.11
Salaries & Wages (cd)	Mar.	8.98	9.03	8.04	5.56
Interest & Dividends (cd)	Mar.	1.13	0.45	0.93	0.55
Farm Marketing Income (ag)	Feb.	1.33	1.54	1.13	1.21
Includ'g Govt. Payments (ag)	Feb.	1.41	1.60	1.21	1.28
CIVILIAN EMPLOYMENT (cb) m	Apr.	51.3	50.5	51.6	50.4
Agricultural Employment (cb)	Apr.	7.5	6.9	7.9	7.7
Employees, Manufacturing (lb)	Apr.	16.1	16.4	16.8	13.6
Employees, Government (lb)	Apr.	5.9	5.9	5.9	4.5
UNEMPLOYMENT (cb) m	Apr.	0.8	0.9	1.0	3.3
FACTORY EMPLOYMENT (lb4)	Apr.	161	164	168	141
Durable Goods	Apr.	222	225	226	168
Non-Durable Goods	Apr.	114	116	122	120
FACTORY PAYROLLS (lb4)	Mar.	325	328	305	189
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Feb.	45.4	45.2	44.5	40.3
Hourly Wage (cents)	Feb.	100.3	100.2	92.4	78.1
Weekly wage ($)	Feb.	45.54	45.25	41.12	32.79
PRICES—Wholesale (lb2)	May 20	103.8	103.6	103.8	92.2
Retail (cdlb)	Mar.	135.3	135.1	135.3	116.1
COST OF LIVING (lb3)	Apr.	124.5	123.8	124.1	110.2
Food	Apr.	134.6	134.1	140.6	113.1
Clothing	Apr.	136.9	136.7	127.9	113.8
Rent	Apr.	108.1	108.1	108.0	107.8
RETAIL TRADE					
Retail Store Sales (cd) $b	Mar.	5.59	4.83	5.00	4.72
Durable Goods	Mar.	0.75	0.63	0.72	1.14
Non-Durable Goods	Mar.	4.84	4.20	4.28	3.58
Chain Store Sales (ca)	Apr.	186	189	175	151
Dept. Store Sales (rb) (1)	Apr.	140	154	128	116
Dept. Store Stocks (rb2)	Mar.	101	105	91	95
MANUFACTURERS'					
New Orders (cd2)—Total	Mar.	271	261	284	212
Durable Goods	Mar.	391	365	433	265
Non-Durable Goods	Mar.	194	194	188	178
Shipments (cd3)—Total	Mar.	273	279	249	183
Durable Goods	Mar.	369	384	330	220
Non-Durable Goods	Mar.	198	197	185	155
BUSINESS INVENTORIES—$b					
End of Month (cd)—Total	Mar.	27.8	27.7	27.6	26.7
Manufacturers'	Mar.	17.6	17.7	17.4	15.2
Wholesalers'	Mar.	4.1	4.1	4.1	4.6
Retailers'	Mar.	6.1	5.9	6.1	7.2

PRESENT POSITION AND OUTLOOK

(Continued from page 259)

dividends were off 5%.

* * *

President Walter S. Tower of the American Iron & Steel Instiute says that **steel output** this year will show little or no gain over 1943; since it is doubtful that reconversion to civilian goods manufacture will offset prospective declines in the war program's steel needs over the rest of the year. (WPB chairman Nelson predicts that war **expenditures** will drop to $74.5 billion this year from last year's $94 billion total.) Nevertheless, estimates of steel requirements in the third quarter, for war and essential civilian purposes, now exceed prospective supplies by such a wide margin that quotas will have to be cut sharply all along the line.

* * *

Stock-piling by the armed forces helps to explain several puzzling **shortages of civilian supplies.** The Army placed a large priority order for **meat** about the time OPA made all but the choicer cuts of beef ration-free. About 60% of current mill production of **cotton textiles** is being allocated on a priority basis to the Government and to essential industry. With the Army stock-piling **cigarettes** abroad, makers of leading brands are now rationing dealers voluntarily.

* * *

An official (William Heber) of the War Manpower Commission discloses that **employment in war industries** has been declining about 100,000 a month since October and that dismissals are expected to continue throughout 1944. This gives point to the Truman Committee's suggestion that the armed services release immediately all materials not required for war in order that they may be used for production of needed civilian goods "to lessen the danger of inflation from suppressed buying power." Senator Truman takes issue with some representatives of the armed forces who feel that it would lead to over-confidence to tell the public that many of the nation's war needs "have been met or shortly will be met."

* * *

Owing partly to the circumstance that Mother's Day came a week earlier this year, **department store sales** in the fortnight ended May 20 averaged 23% above the like period in 1943, compared with increases of only 18% for four weeks and 6% for the year to date.

* * *

Corporate **cash dividends** in April were only 1.3% ahead of last year, compared with a four months' increase of 2.2%. Best showing in the manufacturing group was made by the **automobile industry** with its aggregate boost of 25% for the four months.

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—1—pc	May 20	135.2	134.7	131.3	118.2
(M. W. S.)—1—np	May 20	164.7	164.1	157.8	139.5
INDUSTRIAL PRODUCTION (rb3)	Apr	240	242	237	174
Durable Goods, Mfr.	Apr.	362	367	356	215
Non-Durable Goods, Mfr.	Apr.	174	175	175	141
CARLOADINGS—t—Total	May 20	891	868	844	833
Manufacturers & Miscellaneous	May 20	386	385	381	379
Mdse., L. C. L.	May 20	104	106	97	156
Coal	May 20	177	179	167	150
Grain	May 20	41	40	43	43
ELEC. POWER Output (K.w.H.)m	May 20	4,246	4,238	3,992	3,269
SOFT COAL, Prod. (st) m	May 20	12.3	12.6	11.4	10.8
Cumulative from Jan. 1	May 20	248	236	236	466
Stocks, End Mo.	Mar.	51.8	52.7	77.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	May 20	4.53	4.50	4.49	4.11
Gasoline Stocks	May 20	88.0	87.8	85.6	87.84
Fuel Oil Stocks	May 20	50.0	49.7	67.8	94.13
Heating Oil Stocks	May 20	31.1	30.8	30.8	54.85
LUMBER, Prod. (bd. ft.) m	May 20	627	624	651	632
Stocks, End Mo. (bd. ft.) b	Apr.	3.4	3.5	4.0	12.6
STEEL INGOT PROD. (st.) m	Apr.	7.57	7.82	7.37	6.96
Cumulative from Jan. 1	Apr.	30.2	22.6	29.3	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	May 25	27.9	26.9	46.5	93.5
Cumulative from Jan. 1	May 25	734	706	1,492	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	May 20	140	145	143	165
U. S. Newsprint (st)t—Prod	Apr.	55	61	68	83
Do., Imports from Canada	Apr.	214	190	219	283
Do., Consumption	Apr.	268	269	324	352
Do., Stocks (mpt) End Mo.	Apr.	451	450	557	523
Wood Pulp Stks, End Mo. (st)t	Mar.	80	76	102	98

PRESENT POSITION AND OUTLOOK

Representative McLean of New Jersey says that the recently enacted **tax simplification** bill will raise "upwards of $2 billion" of new revenue; but Treasury experts deny this.

* * *

Chairman George of the Senate Finance Committee predicts that **taxes** on individual and corporate incomes can be reduced 40% in the post-war period if the Federal Government can operate on a $20 billion budget; but that the budget could not be trimmed much until a year after the war ends. The unpleasant thought occurs to us that a 30% drop to $104 billion in the post-war national income could cause a 40% slump in income **tax receipts** without any reduction in **tax rates.**

* * *

Dr. E. A. Goldenwieser, director of research for the Federal Reserve Board, does not look for a post-war decline in **bank deposits** ("which may reach $150 billion before the war ends"). Loans are relatively small, and the huge holdings of Government securities should show little depreciation in value; since only 7% of these have a maturity of 10 years or more. The banks' biggest problem will be to find profitable outlets for their funds. **Interest rates** will remain low.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb. Census Bureau. cd—Commerce Dep't. cd2—Commerce Dept., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. Index (1935-9—100) using Labor Bureau & other data. en—Engineering News-Record. 1—Seasonally adjusted Index. 1923-5—100 lb.—Labor Bureau. lb2—Labor Bureau. 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100 m. Millions. mpt—At Mills, Publishers & in Transit. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, adjusted index, end of Mo., 1923-5—100. rb3—Federal Reserve Board adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

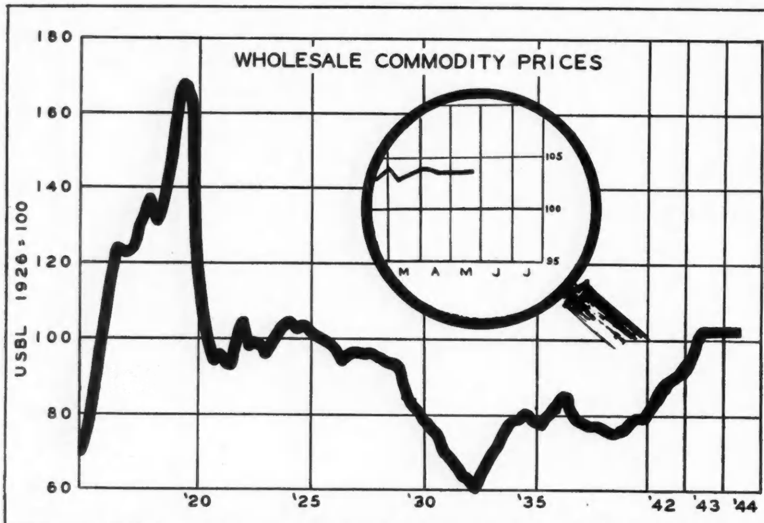
No. of Issues (1925 Cl.—100)	1944 Indexes High	Low	May 27	June 3
283 COMBINED AVERAGE	88.3	79.5	86.8	87.5
4 Agricultural Implements	163.5	148.6	163.5G	162.5
9 Aircraft (1927 Cl.—100)	132.9	118.5	121.3	118.5a
5 Air Lines (1934 Cl.—100)	470.9	421.9	439.4	434.6
5 Amusement	74.9	68.2	73.0	74.9A
12 Automobile Accessories	136.7	119.0	134.7	136.7A
12 Automobiles	21.9	17.6	20.8	21.9G
3 Baking (1926 Cl.—100)	14.1	12.9	14.0	14.0
3 Business Machines	184.9	171.9	182.2	183.8
2 Bus Lines	115.3	101.9	108.7	110.1
5 Chemicals	185.4	176.0	181.3	183.1
4 Communication	64.1	57.1	62.2	62.7
12 Construction	37.2	33.1	37.2A	37.2
6 Containers	255.1	220.1	249.9	255.1G
8 Copper & Brass	69.1	62.5	64.1	64.6
2 Dairy Products	42.5	38.6	42.1	42.5G
6 Department Stores	33.3	28.2	33.3G	33.3
5 Drugs & Toilet Articles	100.4	81.0	100.2	100.4G
2 Finance Companies	234.0	216.1	224.4	223.3
7 Food Brands	133.8	123.1	127.1	131.0
2 Food Stores	50.6	46.5	50.3	50.5
4 Furniture	64.5	56.4	64.1	64.5E
3 Gold Mining	1010.4	879.8	902.6	921.8

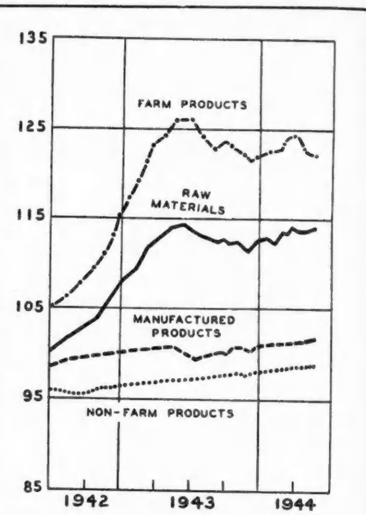
(Nov. 14, 1936, Cl.—100)	High	Low	May 27	June 3
100 HIGH PRICED STOCKS	67.16	62.77	66.80	67.16A
100 LOW PRICED STOCKS	87.70	75.33	84.00	85.79
6 Investment Trusts	38.3	34.0	36.8	38.3
3 Liquor (1927 Cl.—100)	365.4	291.4	362.4	365.4R
8 Machinery	116.6	105.2	112.6	116.6E
2 Mail Order	89.0	82.5	85.9	89.0
3 Meat Packing	64.9	55.5	62.8	62.6
11 Metals, non-Ferrous	127.3	119.8	119.5	120.2
3 Paper	15.1	12.9	15.1D	15.0
22 Petroleum	134.9	121.3	133.7	133.4
19 Public Utilities	53.9	48.8	49.5	49.2
4 Radio (1927 Cl.—100)	24.6	21.5	23.2	23.9
7 Railroad Equipment	57.8	51.5	54.4	54.4
18 Railroads	19.2	14.1	18.8	18.8
2 Shipbuilding	83.7	70.3	75.9	77.8
3 Soft Drinks	327.5	305.2	323.3	327.5
13 Steel & Iron	73.3	65.7	69.4	70.9
3 Sugar	47.4	41.7	47.3	47.4Q
2 Sulphur	171.7	160.7	167.0	165.3
3 Textiles	56.9	48.0	51.9	51.6
3 Tires & Rubber	31.1	25.4	30.8	31.1P
4 Tobacco	68.0	60.2	65.9	68.0C
2 Variety Stores	235.5	219.7	230.5	235.5D
21 Unclassified (1943 Cl.—100)	108.3	98.7	107.4	108.3A

a—New LOW this year. New HIGH since: A—1943; C—1941; D—1940; E—1939; G—1937; P—1930; Q—1929. R—New all-time HIGH.

Trend of Commodities

The growing shortage of old grain caused a 1% advance since our last issue in the Labor Bureau's index of farm commodities spot prices and put a halt to the recession in futures. The spot index reached a new wartime high. Favorable weather has brightened crop prospects for the new harvest; but the carryover from last season's crops will be so meagre that the WFA believes there must be a sharp reduction next year in farm production of cattle, hogs, poultry and eggs, down to a level between those of 1942 and 1943. The manpower is lacking to expand feed plantings enough to maintain this year's livestock population. Agriculture Department estimates that 360 million bushels of grain annually will go into alcohol for post-war synthetic rubber manufacture. The Federal Trade Commission believes that, beginning with the 1945 clip, the Government should abandon its price support program on domestic wools. The CCC is considering disposal of its Government-owned holdings in an orderly manner for the best prices obtainable, and is now suggesting an international agency to limit production and stabilize prices. With imports currently running 30% ahead of last year, the OPA has restored (retroactively to April 1) the 14% cut in sugar allotments to industrial users during the second quarter. As during the first quarter, makers of soft drinks, ice cream, chocolate products may again use 80% of their 1941 consumption.



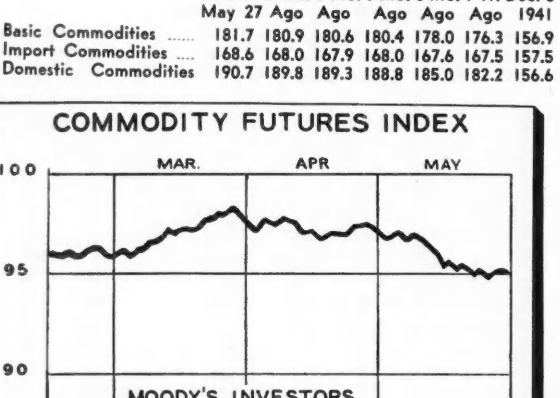


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August, 1939, equals 100

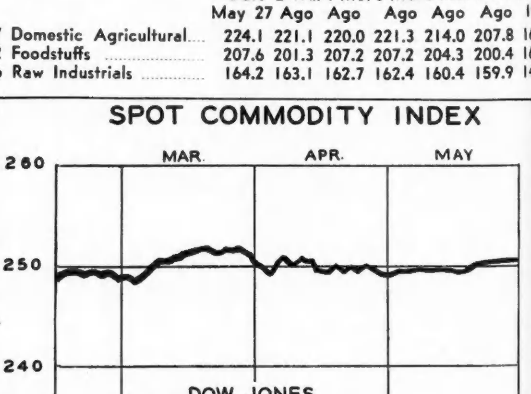
	Date May 27	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	181.7	180.9	180.6	180.4	178.0	176.3	156.9
11 Import Commodities	168.6	168.0	167.9	168.0	167.6	167.5	157.5
17 Domestic Commodities	190.7	189.8	189.3	188.8	185.0	182.2	156.6

	Date May 27	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agricultural	224.1	221.1	220.0	221.3	214.0	207.8	163.9
12 Foodstuffs	207.6	201.3	207.2	207.2	204.3	200.4	169.2
16 Raw Industrials	164.2	163.1	162.7	162.4	160.4	159.9	148.2



Average 1924-26 equal 100

	1944	1943	1942	1941	1939	1938	1937
High	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	94.87	88.45	83.61	55.45	46.50	45.03	52.03



15 Commodities, December 31, 1931, equal 100

Copyright by Moody's Investor Service

	1944	1943	1942	1941	1939	1938	1937
High	251.5	249.8	239.0	219.0	172.3	152.9	228.1
Low	247.0	240.3	220.0	171.6	138.4	130.1	144.6

Dairy Stocks for Investment

(*Continued from page* 250)

smaller than National's and hence the stock has been somewhat more stable, common dividends being paid for forty-five years contrasted with twenty years for National Dairy. Net working capital position is strong and the cash position somewhat stronger than National's. Depreciation allowance is somewhat larger per dollar of revenues than National's; but on the other hand a larger proportion of earnings is paid out in dividends. Based on the current indicated rate of $1.60 the yield is slightly over 5%.

Beatrice Creamery has no funded debt but, unlike the other two companies, has a moderate issue of $4.25 preferred stock. Working capital is satisfactory, but the dividend record dates back only nine years, the company having encountered deficits in 1932-3. Dividends are irregular, totaling $1.85 last year and $1.35 thus far in 1944. The rate of growth compares with that of Borden, but the company has been affected more by cyclical business changes. Operations are well diversified and are largely in the middle west. The company is an important butter producer and has been active in the distribution of frozen foods, particularly the Bird's Eye line of General Foods. Foreign interests are negligible.

Carnation Company is less diversified than the leaders mentioned above, though it ranks ahead of Beatrice in sales and assets. It is an important producer of evaporated milk, sold under the company's name; it also produces dried milk, malted milk and ice cream, while a subsidiary has a diversified line of cereals and animal foods. The business is well diversified territorially. The earnings record has been good, though dividends have been paid continuously only over the past decade. The stock enjoys some capital leverage and has had a better market record in recent years than the leaders.

Pet Milk, currently selling at 26, yields less than 4% probably because the dividend is ultra-conservative in relation to earnings. The company's gross in 1943 was five times as large as a decade earlier, and over twice as large as in 1940. Share earnings have shown considerable improvement in recent years and dividends have been paid continuously since 1925. Evaporated milk sales account for three-quarters of the business, the company making its own cans. It also sells ice cream, ice cream mix, butter and powdered milk. The fifty plants are located in important dairy regions. Capitalization and current position seem conservative.

As the accompanying chart shows, the dairy stocks are relatively "comfortable" issues for investors to hold. Percentage swings, both up and down, are less extreme than in the general market average. However, persistent "slow strength" has been enough to carry the group to a new major recovery high in recent weeks, whereas the broad market average thus far remains under its July, 1943, peak.

Vast Implications of Harnessing Agriculture to Industry

(*Continued from page* 241)

able plastic, Saran. It is made from alcohol, subjected to the cracking process and turned into ethylene which when chlorinated produces ethylidene chloride. The polymerization of the latter results in a very strong, firm film which is called Saran. It may be woven into a cloth of any desired color and is an attractive covering material increasingly used for seats in buses, trains and street cars. Patrons of the Long Island Railroad, and many others, today are riding on brightly upholstered seats, covered with Saran, little realizing that it is a product made almost exclusively of alcohol. Nor does the average housewife realize that the flexible ice tray cups in her refrigerator are of methyl cellulose, made of alcohol and cotton, both, indirectly and directly, products of the soil. Even nylon, a purely chemical product, can be made tougher and stronger if castor oil is used as one of the basic ingredients. Chemists say this would make nylon thread much stronger than a thread of steel and some do not hesitate to predict that nylon will become a building material in the future.

As we envisage the developments ahead and foresee the need for tremendous quantities of oils, cellulose, plastics and alcohol, most of it coming directly or indirectly from the farm, we cannot help but look upon agriculture as a great industrial undertaking of the future, closely geared to our industrial machine. The farmer's task then will go far beyond his traditional job of feeding the na-

tion; he will become an ever more important supplier of industry. Of his products there will be few, indeed, which will not be in industrial demand. He will find broader and more profitable markets for the fruits of his toil, and in turn become a more prolific consumer of a wide range of manufactures. In other words, agriculture and industry can become more nearly complementary as producers and consumers.

It is not difficult to visualize how such a development can importantly stabilize employment, not only by keeping industry humming but also by attracting workers to the farms where they are far less exposed to the vicissitudes of the business cycle. For greatest efficiency of operations, factories and processing plants will have to be built close to rural supply areas, making for further decentralization of industry long sought in the interest of greater economic stability.

Twenty years ago, proponents of chemurgy were frequently regarded as impractical dreamers, chemurgy itself as a mirage. Today, such views no longer prevail. Under the impetus of war, we have made truly noteworthy advances demonstrating beyond doubt the feasibility of large-scale chemico-commercial utilization of raw agricultural products. Chemurgy in fact has been a life saver in many instances, overcoming serious shortages due to interruption of imports, and has proved itself a valuable, if not indispensable, aid to the war effort. Given half a chance, it can do as much in peace and help us create a better and more stable world to live in.

The Coming Competitive Scramble

(Continued from page 230)

stores for sale of such lines as appliances and floor coverings for which pent-up demand is large. In one city alone, it is claimed, over a hundred floor covering stores are scheduled for opening by mail order and chain store organizations. The tire companies, too, are looking for new lines usually carried by department and sporting goods stores, supplementing the emergency lines marketed through their retail outlets during the war when civilian tire sales shrank to almost nothing. Soft goods chains contemplate going in for hard goods, many already having applied for franchises from manufacturers. One of the leading variety chains is planning to carry appliances up to $5, and price limitations will be eliminated in many instances, with goods retailing up to $5 or higher. Since chain store and mail order custom is very inviting to the manufacturer, giving him economically planned production, it goes without saying that profit margins in the respective manufacturing industries will reflect the competitive struggle for such outlets.

The foregoing summary of post-war intentions in various fields, and their competitive implications, is necessarily somewhat sketchy. Actual developments, planned and in the making, are more far-reaching in scope and importance, and far more numerous, but due to the secrecy observed by most companies, there is little in the way of concrete information available at this time. It can be safely predicted, however, that competitive cross currents arising as a result of such post-war planning will have important repercussions.

Consumer goods industries generally, and especially those making durables, seem slated for a grand "free for all" in competitive production and sales effort which is bound to pare profit margins considerably. As long as demand holds out, volume may compensate for narrower spreads, allowing fair profits. But once demand shows signs of tapering off, the real struggle will begin. The hazards to the investor arising from such prospects are obvious.

It is of course premature at this time to attempt an appraisal of post-war competitive positions as far as individual companies and prospective new companies are concerned. Many of those planning new products or the entry into new fields are still absorbed in war work. A goodly number are high in EPT brackets and the potential benefit from the carry-back provision of the tax law is correspondingly large. Barring changes in the tax law or the application of carry-back as far as new ventures are concerned, this factor—when the time comes—deserves heightened attention in appraising a company's chance of making good in a new field. Take for instance Aviation Corporation and its ambitious household appliance program. Due to heavy war-time EPT payments, this concern may have a potential leeway arising from carryback that may eventually run as high as $15 million. In other words, it could afford substantial initial losses from the new venture without actually getting into the red.

The carry-back provision thus becomes a downright invitation to diversification and new enterprise. Conversely, such tax cushions also serve to intensify unhealthy competition. It may place a well-entrenched company at a distinct disadvantage vis-a-vis newcomers. In view of this, it may not be surprising if some action were demanded to void such unsettling possibilities and protect established concerns, especially those unable to reconvert promptly. This, however, remains to be seen.

The tax factor is most beneficial to typical war industries such as aircraft, ship building and machine tools where war output is or was exceptionally heavy and peace prospects poor. It is of considerable importance to a number of other industries where war work resulted in a heavy spurt of pre-tax income, due to enormous production volume. In this category we find especially the automobile, automotive accesories, the machinery, electrical, chemical and steel industries.

Relatively proof against ruinous competitive inroads by outsiders are the capital goods industries and others requiring large capital investment, hence less inviting to newcomers who may hesitate to stake too much on an uncertain venture.

Among them are the steel, chemical, automobile, railroad equipment and metal mining industries, and such consumer goods industries as oils, tires and motion pictures.

It will be noted that with some exceptions, competitive threats are potentially greatest in industries where post-war prospects are best, and smallest in capital goods industries whose outlook is far less reassuring. There is of course a direct interrelation which accounts for this; unpromising fields seldom attract competition. All the more, the investor will be well advised to examine in this new light present and future commitments and to keep abreast with developments as the coming competitive struggle begins to unfold after the war.

How to Develop Latin American Trade As a Stimulant To Our Economy

(Continued from page 233)

local capital will have in view of the rising economic nationalism, advantages that it may not have in a Central American republic. One of the solutions—though a long term one—lies in the direction of the training of good local managers and personnel. Incidentally it is said to have been the policy of the British investors in the 19th century to leave the managing of American railways and other enterprises in which they invested, to the Americans. In general, it may be wisest to go slow on new investments in Latin America and to concentrate above all on the products which will be needed in this country, so that the investments can be recovered if need be (this has always been a British policy) in the form of imported goods rather than dollars.

One may summarize in Nelson A. Rockefeller's words at the Conference: "The opportunities for the future (of the Western Hemisphere) are limitless. The development of Hemisphere resources and industry, the improvement of transportation, will provide fuller employment, a rising standard of living, increased buying power, expanding markets, greater trade, more travel, new opportunity for increasing millions of people." The manner in which the Latin Americans have been going about their business, the eagerness—as in Mexico and elsewhere—with which they try to expand the purchasing power of

broad masses of population, is likely to explode many a popular misconception about them—just as happened in the case of Russia. Even the lack of iron and coal may not prove, in the long run, such a drawback to Latin America's industrial progress as was believed in the past. At any rate, here is an area, almost two and a half times as large as the United States, with some 128 million people, whose purchasing power is probably not greater than that of the states of Pennsylvania and Ohio combined. There is plenty of room for improvement.

But as Nelson Rockefeller also said, there are problems ahead—grave problems. The principal obstacle to the expansion of trade between the Americas is likely to be shortsighted trade policy—both on our part and that of Latin America. But it will be in Latin America where we may see a strong economic nationalism develop, either as a determination to protect the wartime built enterprises or as a reaction against the dominance of foreign capital in the national economy.

In Argentina, as Mr. and Mrs. Robert A. Rennie point out in an excellent study recently published by the Foreign Policy Association, the extreme nationalists who came to power in the recent shake-up, have gone almost anti-capitalist in their animosity toward foreigners and foreign capital. In Argentina, as the Rennies tell us, we have also an example of the first clash in Latin America between the emerging industrial and the old agricultural interests. The struggle has apparently resulted in a deadlock during which the military extremists seized power. In due time, however, the new expanding middle class will, because of its growing economic importance, assume the power.

In most of the Latin American countries the middle class, as we understand it, has been lacking. Its emergence which is a counterpart of the economic transformation of the other Americas, will, in the long run, be a stabilizing force and a boon to trade. This development, as in Argentina, may be accompanied by political and social upheavals. Much will depend upon our understanding these growing pains and upon our taking them into consideration in our trade policies.

Weighing Investment Values in Pullman Break-Up

(*Continued from page* 249)

some measure at least, a liquidating proposition. At the end of last year it had 642 fewer cars in operation than at the close of 1937. Until temporarily boomed by war, the sleeping-car business was a declining one.

The future investment values in Pullman depend on (1) the price to be received for the division sold (which presumably will be the carrier end) and how that price is paid; and (2) the longer-term earnings-dividend potentials of the division to be retained, presumably the manufacturing end.

A lot of "thinking out loud" is being done by security analysts on point No. 1, in terms of sale price per sleeping car. Some guess that net depreciated book value of $9,300 per car "might be realized." Others opine that $20,000 a car seems like a conservative figure which—if realized—would foot up to the equivalent of about $41 a share for Pullman, Inc. You might as well make your own guess, for at the present stage nobody has anything other than guesses to go on.

The price arrived at by bargaining can of course be expressed on a per car basis. It is to be doubted, however, that the buyers will approach the matter from that direction. In pricing a going business for purchase, the chief consideration usually is average—and prospective—earning power, and bargaining centers mainly on the "fair" capitalized value thereof. A lower value will be put on static or declining earning power than on growing earnings—and the Pullman Company certainly has not been a "growth" situation in some years. A lower value will be put on a property subject to direct Government regulation than one not so affected. Finally, if the seller's position is a rather weak one and there is only one buyer—in this case the railroads—the odds would seem to point to a relatively low price.

On the basis of pre-war 1936-1941 results, around $2,700,000 a year might seem a fair approximation of normal annual earning power of the Pullman Company. But the buyer would cite earlier and more depressed years, and contend that allowance must be made for more effective competition in future, especially from air transport. Hence, again, it is anybody's guess what figure will be agreed on as "reasonable expectancy" of average annual earning power. When there is agreement on that, then begins bargaining on capitalized value. Will it be 10, 15 or 20 times agreed average earning power—or what have you?

Reported earnings of the manufacturing division have varied rather sharply: $2.80 in 1937; 7 cents in 1938; 13 cents in 1939; $1.56 in 1940; $2.86 in 1941; 91 cents in 1942 and $1.43 last year—all figures, of course, being per share of Pullman, Inc.

If he were holding Pullman, the writer's inclination would be to sit tight while watching developments. It is to be doubted that the courts, even with New Dealish philosophical leanings, would approve a separation plan involving grossly inequitable recompense to the owners of Pullman, Inc., for properties sold under compulsion and with but limited option as to what properties will be sold. Whatever the price, it no doubt will be a very substantial amount on a per share basis; and there *may* be a sizable liquidating dividend, though probably by no means the full amount of the sale price. The matter will be pending for a goodly time to come; and while the stock is, of course, subject to reactions, anticipatory buying by hopeful speculative investors may well take it higher.

On the other hand, I do not see a reasoned *investment* basis for new purchases of this stock since there are so many "ifs" and "buts" involved. On general principles, demonstrable earning power is a stronger reed to tie to in investing funds than conjectural realizable values in liquidation. It can hardly be disputed that a somewhat lower "investment calibre" would characterize Pullman as a maker of cars

than as it now stands, because solely as a manufacturer of railroad equipment—without the more stable earnings of the carrier division—Pullman net profits would undoubtedly tend to fluctuate more from year to year than has been the case in the past.

This point of view can, of course, be debated. The rail equipment makers are believed to be in for an extended period of profitable business after the war and Pullman has some radically improved car designs on tap. Like other ably and aggressively managed companies with a wealth of war-work experience, it may have promising diversification plans under preparation that will take it beyond the rail equipment field, though presumably it would still stick to capital goods lines. But, naturally, the management is not publicizing its explorations—so these potentials are also on the conjectural side. Study this situation as intensively as you can, and you still come up with a lot of answers missing. That being so, the basis for conservative investment calculation and appraisal is decidedly tenuous.

Ever Changing Picture in the Oil Industry

(*Continued from page 247*)

Past earnings were good and dividends conservative.

Pure Oil has large crude reserves in relation to its size and on this basis, the stock has considerable promise at current market price of about 16. Past dividends, however, were restricted by prior claims on earnings of preferred stock and funded debt, and yield was consequently limited until last year when the increased disbursement brought the return to nearly 6%. The company's position of late has been improving and new discoveries in Texas and Louisiana promise maintenance of crude production at favorable levels. Book value of the stock is $23.55 per share.

Despite the small yield of less than 3%, Sun Oil Co.'s common has attraction due to substantial crude reserves estimated at about 500 million barrels. A medium sized but well integrated unit, the company has an excellent earnings record but dividends were relatively moderate in line with ultra-conservative accounting policies.

One of the most complete and low-cost units in the oil industry, Phillips Petroleum holds a strong position in all divisions, particularly in the manufacture of natural gasoline of which it is the largest producer.

It also is an important maker of carbon black. Growth prospects are regarded as exceptionally favorable not only because of the company's large reserves of crude oil and natural gas, but because of the emphasis the management places on research and development of chemical byproducts. In fact, advances in the chemical field are such that the company is rapidly turning into a combination chemist and oil producer. One of its outstanding developments is its new type carbon black for use in synthetic rubber tires, endowing the latter with superior performance. This product alone is regarded as holding exceptional earnings potentials. Yielding about 4.5%, the stock should have distinct appreciation possibilities.

Also well situated from the standpoint of crude oil reserves are Sinclair Oil and Tidewater Associated Oil. Because of the rapid development of important South American production, the former has a good measure of appeal though past earnings have been unimpressive. An aggressive development policy is constantly resulting in additions to recoverable crude oil reserves of Tidewater and more balanced operations as a whole. Union Oil of Cali-

fornia, second largest factor on the Pacific Coast, has extensive properties in California and additional acreage, though largely untested, is held in Texas and other states, and in South America.

Less favorably situated in respect to crude oil reserves is Atlantic Refining, chiefly a refiner and distributor of petroleum products, with own production far below refinery requirements. However, large capital expenditures in recent years have emphasized the development of crude reserves; some improvement may therefore be expected over the next years. Standard Oil of Ohio, an excellent earner, is likewise largely dependent on outside purchases of crude for its refineries and this lack of integration limits the appeal of the common. The same applies to Richfield Oil.

Companies that Will Benefit from *War Plant* Amortization Terms

(*Continued from page* 235)

As an example, the property account of General Motors totals some \$327 million, after reserve of \$571 million for depreciation including amortization of special war facilities. This clearly points to existence of unamortized emergency facilities but leaves us in the dark as to the actual amount involved. Military expediency no doubt is responsible for this. This consideration is frequently mentioned as the reason for lack of detail especially in connection with war plant facilities. N. Y. Ship Building Corporation, for instance, expressly says so in its latest annual report in which net property account is carried at \$5.87 million including unamortized emergency facilities of an unstated amount. The company whose working capital is \$3.96 million, may thus expect a possibly substantial addition to working funds from final settlement of Emergency Plant Contracts.

As I See It!

(*Continued from page* 225)

The trend of British and American thinking seems to have crystallized in favor of a structure combining the "Big Four" with a United Nations assembly, with co-existence of suitable regional arrangements. Patently, any world super-structure after the war must not be expected to be too rigid either in form or composition. Regional arrangements within the framework of a world council will presumably form a point of departure for future evolution of world organization in line with experience and growing confidence. Not only Russia but Britain, too, has made this abundantly clear, by word and deed. Both Churchill and Eden in their recent pronouncements have given expression to this thought. Prime Minister Churchill's surprising defense of Spain and British sponsorship of the de Gaulle Committee, both in direct divergence with American policies, give factual confirmation and evidence of a British desire to seek "re-insurance" on the European Continent, to strengthen the British position in any future world organization. Russia by her insistence on a dominant position in Eastern and possibly Central Europe is following a similar policy. In the latter case, this must be regarded as the price we have to pay for Russian good will and cooperation in the broader international field, a good will that is imperative to success.

For the moment, the main point is that a start has been made, that we have asserted our leadership and that the major allies are in apparent agreement as to the principles which should guide maintenance of future world peace. These principles and concepts are not new; in their essence they have long reflected the considered thoughts of statesmen everywhere of what an effective international organization should be. The important thing is that a realistic approach is now under way to make them work. Whether this effort will be crowned with success depends entirely on the good will and wisdom, and realistic vision of those men who seem destined to shape the world's future.

BACK THE ATTACK
BUY WAR BONDS

Selecting Best Stocks in the Most Promising Industries

(*Continued from page* 244)

but this fell off sharply in 1942 when gross was just above \$6,000,000 and net income was \$1.06 a share.

Youngstown had a much greater loss in total business in 1943, with gross at \$3,723,549 and net income was only 12 cents a share, but there are several possibilities for a recovery of considerable amounts under the "carry-back" provision of the Revenue Act. It is estimated by the company that this recovery should amount to about \$539,000, and if this proves to be the sum recovered, it would add 82 cents a share to the 1943 income and bring it to 94 cents a share for the year. The 1943 report showed that special reserves for the year were \$151,369, while taxes amounted to \$73,666. In the preceding year, the total taxes had been \$562,738.

The prospects for 1944 earnings are more favorable. The company booked some large government contracts in 1943, which provided a backlog of nearly \$7,000,000 for this year. The War Production Board has modified the restrictions on the use of steel for box cars, and the company has received substantial orders for its steel doors and other freight car accessories, for production in 1944. Thus, there are good possibilities for increasing earnings, even if the ending of the war is still far away, while the company can expect a great increase in sales of steel doors and other products when peace comes. It will have little delay or expense in conversion,

Dividends on this stock have varied with the earnings. Payments were not made public before 1933. In that year, 3 cents a share was paid, then 15 cents in 1934 and 3 cents in 1935. With the jump in earnings that developed in 1936, the dividend was 90 cents a share, and \$2 was paid in 1937. The 25 cents paid in 1938 was mostly from surplus. Dividends were \$1 a share in 1939, \$1.50 in 1940 and \$1.75 in 1941. In 1942 and 1943 payments were 50 cents each, and so far in 1944, one payment of 25 cents a share has been made.

Balance sheet figures for the end of 1943 showed total current assets of \$4,403,294, consisting of \$561,157 cash, \$1,550,000 in U. S. bonds, \$1,122,032 receivables, and \$1,170,105 inventories. Total current liabilities were \$728,123. The net current assets of \$3,675,171 were equal to \$5.52 a share.

No reserves are carried in the balnce sheet, and the only other liabilies consisted of the capital and surlus accounts. The capital stock was arried at $1,858,633, or a little less han $3 a share, and this with the arned surplus of $3,848,617 gave he stock a book value of $6.57 a hare.

The fixed assets were valued at 2,325,356 for buildings and machinry, from which $1,487,050 reserves or depreciation were deducted, leavng $838,306. Land was carried at 7,926. The patents were listed as 72,227, goodwill at $1.

Youngstown Steel Door stock had s first active market in 1936. The ange that year in terms of the stock fter the two-for-one split-up in 1937 as 36½ high, 29½ low. The 1937 igh of 40¼ was the best price the ock has known. Its later low of 7 as reached in 1942. The 1943 price ange was 16⅜-9⅛, while thus far n 1944, the range has been 16⅞-13.

With the indicated material improvement in earnings for 1944, and he postwar outlook for a large volme of freight car building and ood orders for this company's steel oors and other accessories, Youngsown Steel Door stock has wide posibilities for appreciation in future arkets.

Answers to Inquiries

(*Continued from page* 258)

referred stock is convertible into he common stock at the rate of 2 hares of common for each 1 share of referred. Recent earnings report or the three months ending March 1, 1944, show $5.17 earned on each hare of preferred against $4.71 in he same period of 1943.

What Bond to Buy for Speculation?

I have been considering Seaboard Air ine 6s due in 1945. Editor of the finanial column of the Boston Herald *stated hat an investment trust had recently ought a big block of these bonds. They re low in price now. What do you think? —LHS, Buzzards Bay, Mass.*

Inasmuch as reports indicate a trong probability that railroad earnngs will be generally lower in 1944, he present time does not seem deirable for new speculative bond purhases in this field. Whether Seaoard Air Line bonds are cheap or re amply priced seems to be a mater of opinion. Under the compronise plan the 6% bonds due 1945 vould receive $194.47 in new first 4s, 338.32 in new income 4½s, $55.56

in new preferred and $598.72 in new common. The most bullish assumptions figure a value of 100 for the new first 4s, 60 for the new income bond, 40 for the new preferred, and 15 for the new common, which would make roughly 50% for the old 6% bonds due 1945. But this is not so very far out of line with existing quotation and it may be too high.

In preference to this bond we would favor either Illinois Central Chicago St. Louis & New Orleans joint 5s of 1963 or West Shore Railroad 4s of 2361. The former sold as low as 47½ in 1943 and the latter sold as low as 43 while both of them sold as high as 72½ earlier this year and are currently within a few points of this price. With only occasional exceptions, these bonds have followed a similar pattern yearly for the last ten or twelve years—though not always as wide as the 1943-1944 variation—so that it has been possible to buy them in the latter half of the year, accept a generous interim return and sell out at a substantial profit in six months or even less. Both of these bonds are qualified as legal investments for savings banks in New York and California.

The Illinois Central Chicago St. Louis & New Orleans joint 5s may be considered in effect to be assumed by Illinois Central since the latter owns all of the common stock of Chicago, St. Louis & New Orleans and all but 103 shares, which are held in the Treasury of Illinois Central, are pledged as collateral for Illinois Central Leased Lines 4% guaranteed stock. The West Shore bonds were guaranteed principal and interest by endorsement by the New York Central Hudson River Railroad. This guarantee was assumed in 1930 by New York Central Railroad. Since you seek the opportunity for capital appreciation with at least moderate safety, it would seem your best chance would be to let your cash remain idle for a possible reaction later in the year in railroad bonds whose record of payment is continuous and would seem likely to fluctuate in a somewhat similar manner to Illinois Central Chicago St. Louis & New Orleans joint 5s or the West Shore 4s.

Pittsburgh Steel 5% Class "A" Pfd.

I am writing to you with regards Pittsburgh Steel Co. 5% Pfd. stock which you advised to hold. Can you give me more detailed information regarding this stock and your opinion as to what will be done to clear the arrears of about $33.00?—MGR, San Antonio, Texas

The Pittsburgh Steel 5% Class "A" cumulative preferred was issued in 1937 under a plan of reorganization and has paid no dividends to date so that on June 1st arrears will be about $35.00 per share while a total of $105.21 has been earned on these shares since 1937. In 1943 arrears on the prior preferred were reduced to $1,375 where they still remain so that when this nominal amount has been eliminated, the Class "A" preferred will remain next in line since it enjoys a priority over both the Class "B" $7.00 cumulative preferred and the common.

While a study of the figures does not disclose to what purpose the earnings referred to above have been put, about $11,000,000 has been expended for additional plant facilities. Since some $8,000,000 in bonds were issued in 1940 and 1941, of which $1,929,000 had been retired by the end of 1942 and probably more in 1943, since sinking fund requires call of $130,000 of the Series "A" bond plus 5% of consolidated net income after interest and taxes for the prior year, it would seem safe to assume that better than $50.00 per share of Class "A" preferred has been devoted to increased plant facilities and/or bond retirement.

The reverse trend of earnings since 1941 tends to restrict the probability of early action toward elimination of the arrears on the Class "A," and failure to pay off the small arrears on the prior preferred along with the semi-annual dividends payable June 1 to stock of record May 15, may be accepted as further indication that no early action is likely. The first quarter earnings in 1944 show a deficit of about 22 cents, against earnings of 76 cents earned for the first quarter of 1943, which may have been a controlling factor in permitting the small arrearage to remain on the prior preferred. The American Iron & Steel Institute has just stated that steel industry's profits have set a war-time low in 1943, and it is likely they will again be lower this year.

Just how much the market can be said to have discounted further adversities is open to question, but the shares are currently selling near the year's low of 46⅝ which is 25% below the 1944 high of 61⅜. It would seem that retention would be the wisest course, for while the market for these shares may go still lower they might not react enough to compensate for the risk of missing out on the longer term prospects and the future recovery of all or a large part of the dividend arrears.

National Candy

Your letter of April 22nd analyzes three stocks for me one of which was National Candy Company. You show that the current earnings trend is No. 1 which I understand is symbol meaning increased earnings and then in the next column your advice is to **sell.**

I understand this stock selling around 40 has been earning around $6.00 per share and your report indicated that it will earn still more. If this is true, why sell?—THA, LeR., N. Y.

In electing to recommend a sale of National Candy which was selling around 45 at the time of your previous inquiry, due consideration was given to the current upward trend of earnings. Also considered was the possibility of purchase of control of this company by another candy company and the proposal to establish a call price of $140 for the first preferred and $125 for the second preferred, both of which were non-callable. On May 1st it was reported that stockholders ratified the amendment to permit a call of the preferred shares at the prices mentioned above and the press comments that while demand for the firm's products continue high, it is expected that 1944 net will be less than 1943 and the first quarter for 1944 showed only 95 cents against $1.40 per share for the same period in 1943.

We considered among other things that in 1941 earnings were $4.74, in 1942 thye were $6.45 and in 1943 $6.20 whereas 1939 was the best previous year and in that year earnings were only $2.81 per share. In 1940 only 35 cents per share was earned, in 1938 earnings were $1.69 and in 1939 were 72 cents. In 1937 which was not a particularly bad year by and large, the company reported a loss of $570,111 or $3.66 per share on the common stock. It is not possible to make a yearly comparison of gross sales as the amount of sales is not reported for every year but they are thought to run from 2½ to 3 times their prewar average.

A comparison of the price range from 1938 to date reveals that the shares sold as low as $5.00 per share in 1938, $6.00 per share in 1939, $5.50 per share in 1940, $6.50 per share in 1941 and $9.50 per share in 1942, while the highest price in that period was $14.00 per share.

As you consider the figures cited above and when you consider that at 42 the shares are priced at 10 times net earnings for the five-year period 1936-1941 inclusive as compared with 7 times earnings for the year 1942-1943 only, it will probably become self-evident to you that this

company may be properly classified as a "war baby" to a considerable extent. Surely one cannot suggest a better time to sell stocks that are benefiting from the war than when they are selling high in relation to long term earnings and to past market prices.

Chicago & Northwestern Bonds

I hold $2000 Chicago & Northwestern R.R. 4½s, 2037, and $1000 Chicago & Northwestern R.R. 5s, 2037. Will you please tell me what is to become of these bonds in the reorganization of the company? Do you advise to sell or hold these bonds?—FFE, Mount Vernon, Iowa.

Under the plan of reorganization, just completed the 4½% First & Refunding Bonds due 2037 of Chicago & Northwestern Railway Company, will receive in exchange for each $1,000 bond the following new securities: $152.00 principal amount of 1st & General Mortgage 4% bonds due 1989; $230.00 principal amount of 2nd Mortgage & Conv. Income 4½% bonds due 1999; $302.00 of new 5% Preferred "A" stock ($100.00 par value) and 4.77 shares of new common stock.

The 5% 1st and Refunding Bonds due 2037 receive as follows: $154.00 principal amount of 1st & General Mortgage 4s; $233.00 principal amount of 2nd Mortgage & Conv. Income 4½s; $307.00 of new Preferred "A" stock and 4.85 shares of new common stock.

Financial condition of the road is good; as of December 31st, 1943, current assets amounted to $114,689,367 of which $57,221,613 was in cash. Current liabilities were $40,500,977, leaving a net working capital of $74,188,390 compared with net working capital of $54,025,511 in 1942. Net income for 1943 was $26,149,889 after all charges, compared with $9,964,239 in 1942. For the three months to March 31, 1944, net operating income was $6,022,900 against $6,577,157 in the same period of 1943. Company announced that it would pay off R.F.C. loans of about $28,000,000.

If you have no objection to holding odd lots of the new securities, we believe you should go along with the new company. It appears reasona certain that this road is now i position to make regular inter payments and there is a good po bility of dividends being paid on t new preferred stock. If, on the oth hand, you do not care to accept t odd lots of new securities, it appe advisable to continue to hold the o bonds for price appreciation.

Associated Gas & Electric Bo

I own $1100 Associated Gas & E Corp. 4% Income Deb. due 1978 which they have not paid interest fo years. I understand they are quoted 28 or 29. Would you advise selling investing in Best Foods or Walgr common as both pay dividends?—A. Paw Paw, Mich.

The Associated Gas & Elect System is engaged in working ou plan of integration to comply w the Holding Company Act as well to make adjustments necessary und the bankruptcy proceedings. April 4th it was reported that t SEC had approved a plan for joi reorganization of the Associated G & Electric Company and the As ciated Gas & Electric Corporatio the plan generally conforming to t compromise plan filed by the tr tees of the two companies. Before can be put into effect, the plan mu be approved by the United Sta District Court at New York.

One new company will succe both old companies and will have capitalization of $52,000,000 c sisting of $7,500,000 in bank loa $7,400,000 in new 4¼% debentu and 7,500,000 shares of comm stock with a par value of $5.00 ea Since net earnings may run to ab $10,000,000, after allowing for F eral income tax, earnings on the n common may be as much as $1 per share.

The plan contemplates that 4% issue of debentures due 1978 w receive 3 shares of the new comm stock for each $100 par value of bonds having all unpaid inter coupons attached, with other issu receiving varying treatment acco ing to their position.

Conversations among dealers h suggested a tentative price arou 12-13 as being moderate for the n common shares and this would ma for a value of 35-40 for the old bon

Under the circumstances it wou seem that you could await the o come of the reorganization bef making any change since it mig well be that some distribution of cruing earnings would accompa the new shares when they are issu

reasonal
s now in
lar inter
good po
paid on t
n the oth
accept t
, it appe
hold the c
tion.

tric Bon

Gas & E
lue 1978
terest fo
re quoted
selling
r Walgr
nds?—A.

& Elect
king ou
mply w
t as well
ssary und
ings. C
d that t
n for joi
ciated G
the As
rporatio
ning to t
y the tr
Before
plan mu
ited Sta
rk.
ll succe
will have
,000 co
ank loa
debentu
f comm
$5.00 ea
n to abo
g for F
on the n
h as $1

s that t
1978 w
v comm
lue of c
d inter
ther issu
nt acco

ealers ha
ce arou
or the n
ould ma
old bon
s it wou
t the o
on bef
it mig
tion of
accompa
are issu